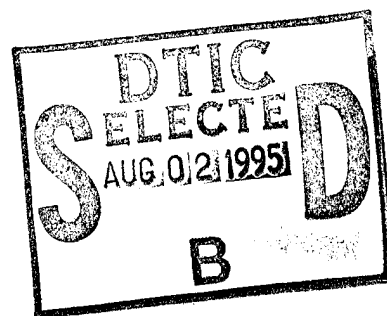


NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



THESIS

**AN ANALYSIS OF CREDIT CARD USE AS A
METHOD FOR MAKING SMALL PURCHASES
IN THE UNITED STATES MARINE CORPS**

by

Richard Scott Slater

December, 1994

Principal Advisor:

David V. Lamm

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| REPORT DOCUMENTATION PAGE | | | Form Approved OMB No. 0704-0188 | |
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| Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503. | | | | |
| 1. AGENCY USE ONLY (Leave blank) | | 2. REPORT DATE December 1994 | | 3. REPORT TYPE AND DATES COVERED Master's Thesis |
| 4. TITLE AND SUBTITLE: An Analysis Of Credit Card Use As A Method For Making Small Purchases In The United States Marine Corps | | | 5. FUNDING NUMBERS | |
| 6. AUTHOR: Major Richard S. Slater, USMC | | | | |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey CA 93943-5000 | | | 8. PERFORMING ORGANIZATION REPORT NUMBER | |
| 9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) CMC, HQMC, (Code LBO) 2 Navy Annex Washington, D.C. 20380-1775 Attn: Capt J. Lee | | | 10. SPONSORING/MONITORING AGENCY REPORT NUMBER | |
| 11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government. | | | | |
| 12a. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution is unlimited. | | | 12b. DISTRIBUTION CODE | |
| 13. ABSTRACT (maximum 200 words) The focus of this thesis is to examine the use of the International Merchant Purchase Agreement Card (I.M.P.A.C.) as a small purchase procurement method in the United States Marine Corps. The primary intent is to determine whether the credit card has attained the objectives intended for it by the Marine Corps. It will identify the basic procedures involved in using the credit card, and will evaluate how Marine Corps users feel the card has affected their small purchase capabilities. It will analyze how buyers utilize the card, as well as examining how program officials have implemented the program throughout the Corps. In addition, this thesis will identify any benefits and drawbacks that cardholders and officials have encountered as a result of the card's implementation. Finally, recommendations on how the Marine Corps might improve its program will be offered. | | | | |
| 14. SUBJECT TERMS I.M.P.A.C. use in the Marine Corps. | | | 15. NUMBER OF PAGES 132 | |
| | | | 16. PRICE CODE | |
| 17. SECURITY CLASSIFICATION OF REPORT Unclassified | 18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified | 19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified | 20. LIMITATION OF ABSTRACT UL | |

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. Z39-18 298-102

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AN ANALYSIS OF CREDIT CARD USE AS A METHOD FOR MAKING SMALL PURCHASES IN THE UNITED STATES MARINE CORPS

by

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Major, United States Marine Corps
B.S., United States Naval Academy, 1980

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

**NAVAL POSTGRADUATE SCHOOL
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ABSTRACT

This focus of this thesis is to examine the use of the International Merchant Purchase Agreement Card (I.M.P.A.C.) as a small purchase procurement method in the United States Marine Corps. The primary intent is to determine whether the credit card has attained the objectives intended for it by the Marine Corps. It will identify the basic procedures involved in using the credit card, and will evaluate how Marine Corps users feel the card has affected their small purchase capabilities. It will analyze how buyers utilize the card, as well as examining how program officials have implemented the program throughout the Corps. In addition, this thesis will identify any benefits and drawbacks that cardholders and officials have encountered as a result of the cards implementation. Finally, recommendations on how the Marine Corps might improve its program will be offered.

TABLE OF CONTENTS

| | | |
|------|---|----|
| I. | INTRODUCTION | 1 |
| A. | RESEARCH QUESTION | 2 |
| 1. | Primary Research Question | 2 |
| 2. | Subsidiary Research Questions | 2 |
| B. | DISCUSSION | 2 |
| C. | ASSUMPTIONS | 3 |
| D. | DEFINITIONS | 4 |
| E. | SCOPE OF THE THESIS | 6 |
| F. | METHODOLOGY | 7 |
| G. | BENEFITS OF THE STUDY | 9 |
| H. | ORGANIZATION OF THE THESIS | 9 |
| II. | BACKGROUND | 11 |
| A. | PROCUREMENT REFORM: THE BIRTH OF THE GOVERNMENT CREDIT CARD | 12 |
| B. | THE FEDERAL GOVERNMENT IMPLEMENTS A CREDIT CARD PROGRAM | 14 |
| C. | THE CREDIT CARD PROGRAM TODAY | 15 |
| D. | ESTABLISHING AND IMPLEMENTING THE PROGRAM . . | 18 |
| E. | MANAGING THE CREDIT CARD PROGRAM | 21 |
| F. | MAKING PURCHASES WITH THE CREDIT CARD | 25 |
| G. | DRAWBACKS TO THE CURRENT I.M.P.A.C PROGRAM . | 29 |
| H. | SUMMARY | 29 |
| III. | WRITTEN SURVEY DATA PRESENTATION AND ANALYSIS . | 31 |
| A. | CARDHOLDER SURVEY METHODOLOGY | 32 |
| B. | SURVEY RESULTS AND ANALYSIS | 33 |
| 1. | Credit Card Utilization Data: Results and Analysis | 33 |
| 2. | Individual Assessment of the Credit Card Program Data Results and Analysis . . . | 57 |
| 3. | Cardholder Survey Summary | 71 |

| | | |
|---------------------------|---|-----|
| C. | SUMMARY | 73 |
| IV. | TELEPHONE INTERVIEWS RESULTS | 75 |
| A. | INTERVIEW METHODOLOGY | 75 |
| B. | INTERVIEW DATA RESPONSES | 76 |
| C. | SUMMARY | 93 |
| V. | CONCLUSIONS AND RECOMMENDATIONS | 95 |
| A. | CONCLUSIONS | 95 |
| B. | RECOMMENDATIONS | 98 |
| C. | ANSWERS TO RESEARCH QUESTIONS | 101 |
| D. | AREAS FOR FURTHER RESEARCH | 106 |
| APPENDIX A. | ACRONYMS | 109 |
| APPENDIX B. | CARDHOLDER/USER SURVEY | 111 |
| APPENDIX C. | TELEPHONE INTERVIEW QUESTIONS | 115 |
| APPENDIX D. | SURVEY ADDRESSES | 117 |
| SELECTED REFERENCES | | 119 |
| INITIAL DISTRIBUTION LIST | | 123 |

I. INTRODUCTION

The International Merchant Purchase Authorization Card (I.M.P.A.C.) is an alternative method of making small purchases for agencies of the United States Government. More commonly referred to as the Government VISA card, the I.M.P.A.C. was established by the General Services Administration (GSA) as a method for expediting the procurement of small purchases items (those less than \$25,000) for all Government agencies. It enables these activities to obtain low-dollar items using a credit card rather than other traditional methods, such as Imprest Funds, Standard Form 44 (SF-44), Purchase Orders (NAVCOMP Form 2275) and Blanket Purchase Agreements (BPAs).

In 1988, the Department of the Navy adopted the credit card program as a method for improving the small purchase process, and the Marine Corps began limited use of the credit card in 1989. Use of the card by both Services has expanded considerably since their initial inception, yet some activities in both Services are still not participating. Recently, as a result of President Clinton's National Performance Review (NPR), the Marine Corps has placed renewed emphasis on using the card in order to streamline the acquisition process. [Ref. 19, 17 March 1994]

The focus of this research will be to evaluate whether the Marine Corps' program has achieved the desired goals and objectives that were established for it. This evaluation will be accomplished by examining existing program implementation and card usage throughout the Marine Corps. It will provide an in-depth study of how the program is utilized by those field contracting activities in the Marine Corps that are participating in the program. It will assess the impact of using the card as a procurement method for small purchases at these activities, focusing on both the benefits and drawbacks of the program. Finally, recommendations will be provided for

standardizing procedures and management controls that can be adopted throughout the Marine Corps.

A. RESEARCH QUESTION

1. Primary Research Question

To what extent has the Government credit card program achieved the goals and objectives intended for it by the Marine Corps in making small purchases and how might this program be modified to enhance the card's use?

2. Subsidiary Research Questions

a. What are the essential elements of the Government credit card program, as well as currently defined Marine Corps policy, instructions, and directives concerning its use?

b. How has the Government credit card program been employed by Marine Corps buying activities and is this employment consistent?

c. What are the most significant issues and problems faced by Marine Corps cardholders/users?

d. What are the primary barriers/impediments to those Marine Corps buying activities that are not currently using the Government credit card program?

e. How has the use of the Government credit card program affected small purchase acquisitions at Marine Corps installations that use it?

f. What major actions need to be implemented in order to improve the acquisition of small purchase items utilizing the Government credit card program throughout the Marine Corps?

B. DISCUSSION

In January of 1989, the Director of Contracting at Headquarters Marine Corps (HQMC) authorized an experimental program to determine the effectiveness of using a credit card to make small purchases. The field contracting office at Camp LeJeune, North Carolina was selected as the initial test activity for this program. After several years of monitoring

and review, HQMC made the determination that the credit card was in fact an effective tool to use in making small purchases at the individual activity level. In 1992, HQMC directed that all major buying activities throughout the Marine Corps, including the Marine Corps Reserve Forces, should give serious consideration to implementing a credit card program to make small purchases. As of August 1994, ten (10) of the Marine Corps' major field activities have implemented the program as have six (6) of the Marine Corps Districts. All have met with varying levels of success. Additionally, implementation procedures vary dramatically from one activity to the next. For example, some activities restrict the use of the card to base contracting personnel only while others allow the card to be used by individual tenant activities. [Ref. 19, 17 March 1994]

The intent of this paper is to investigate how the credit card program has been implemented throughout the Marine Corps and assess how well it has achieved the intended goals. This will entail an examination of the way the card is utilized at individual activities, as well as a review of both the positive and negative aspects of the entire credit card program.

C. ASSUMPTIONS

The assumption is made throughout this study that the reader has a basic understanding of and is familiar with the Federal acquisition process. The reader should be familiar with the small purchase procedures that are contained in both the Federal Acquisition Regulation (FAR) and its various Defense Department supplements. Finally, the reader is assumed to have a basic understanding of Navy and Marine Corps acquisition terminology. In order to assist the reader, a list of all acronyms used throughout this thesis is provided in Appendix A.

D. DEFINITIONS

Approving Official - an individual who has under his/her purview a number of cardholders/users. This must be an experienced official who is familiar with purchasing rules and regulations and who is in a position to make decisions regarding the use of the credit card. This individual must be intimately familiar with the job responsibilities of the individual cardholder/user. The approving official is responsible for performing an audit of each cardholder/user's monthly statements and ensures that payments are for authorized purchases in accordance with applicable instructions. This individual is appointed, in writing, by the activity's Contracting Officer.

Billing Cycle Office Limit - this limit represents the maximum amount that all cardholders/users under a specific Approving Official may purchase in a given billing cycle. This limit is assigned in increments of \$100 and may be set by the agency/activity up to \$999,900. All cardholders/users shall be assigned a billing cycle office limit.

Billing Cycle Purchase Limit - this is the maximum dollar amount that an individual cardholder/user may spend during a given billing cycle. Since most billing cycles are 30 days in length, this limit is often referred to as a Monthly Purchase Limit. All cardholders/users shall have a limit established for their account by their agency/activity; this limit may vary amongst individuals within a given activity. The dollar limit will be in increments of \$100 and may not exceed \$999,900.

Cardholder/user - an individual, normally subordinate to an Approving Official, who is appointed, in writing, to use the credit card issued in his/her own name. This person has the authority to utilize the card in order to make small purchases that are within established agency and activity guidelines. At a minimum, these guidelines include a dollar

limitation per transaction, as well as a monthly total dollar limit, and are in keeping with applicable FAR and activity requirements.

Contracting Officer - the head of the individual activity's Contracting Office who has the overall responsibility for ensuring the I.M.P.A.C. program is properly managed. The Contracting Officer may delegate some of the responsibilities of administering the program to subordinates within the activity. He/she is normally the individual who approves the nomination of prospective cardholders.

Disputes - a disagreement between the cardholder/user and the contractor concerning items that appear on the monthly Statement of Account. They are usually the result of discrepancies between the cardholder/user's monthly statement from the contractor and their own purchase records. These may include, but are not limited to incorrect charges, overcharges, multiple charges for the same item (i.e. double-billing), and state and local sales tax charges.

Field Contracting Activity (Activity) - the office at each of the Marine Corps' major installations that has the overall responsibility for procuring material and services for the tenant activities located at that installation. Normally, the Contracting Officer is the individual that is responsible for the day-to-day activities, as well as the personnel assigned to each field contracting activity.

Rocky Mountain BankCard Service (RMBCS) - a subsidiary of the Colorado National Bank, located in Denver, Colorado. This financial institution was awarded the initial contract for the I.M.P.A.C. program. RMBCS was recently awarded the follow-on contract for Government credit card services. RMBCS is responsible for providing the cards to cardholders/users, providing a monthly Statement of Account to each cardholder/user (as well as approving officials and finance

offices), and for paying merchants for cardholder/user purchases.

Single Purchase Limit - the maximum dollar amount that a cardholder/user may not exceed when procuring individual items. This limit shall be established by the agency/activity for each person that is issued a credit card and may be up to \$100,000, in increments of \$50. The single purchase limit applies to either individual items purchased at one time or to the total of several items obtained at the same time. Individual items that exceed this amount may not be "split up" in order to avoid this limit.

Small Purchase - the procurement/acquisition of supplies, nonpersonal services and construction below the small purchase limit, established by the FAR, Part 13. Currently, this limit is set at \$25,000.

E. SCOPE OF THE THESIS

The primary scope of this thesis will be to examine the use of the credit card as a procurement method at Marine Corps field activities. By law, the card can be used only for small purchases, the bulk of which are made up of both goods and services. Consequently, the focus of this research will be to examine how individual Marine Corps buying activities use the card to obtain these items. All major Marine Corps field activities that currently utilize the card will be considered, however only the buyer side of the process will be examined. Additionally, those activities that have opted not to participate will be included in the analysis. Finally, consideration of what is purchased versus what should/could be purchased, utilizing appropriated funds only, will be taken into account.

F. METHODOLOGY

To collect and obtain the data necessary to accomplish this thesis, several methods were utilized. The initial phase of research involved a comprehensive review of all available written material that is associated with the credit card. Information was obtained from RMBCS publications, applicable sections of the FAR and Defense FAR Supplement (DFARS), General Accounting Office (GAO) reports, user manuals for individual activity credit card programs, and theses from the Naval Postgraduate School. The purpose of this literature review was to provide the researcher with a basic understanding of how the credit program came into being. Additionally, this information provided the researcher with an understanding of how the credit card program was designed to be used to make small purchases.

Following this, information concerning the use of the card at individual activities was collected. The vast majority of information was obtained through the use of a survey sent to individual cardholders/users at buying activities throughout the Marine Corps. This survey was developed with the cardholder/user in mind and was intended to solicit their honest opinions and impressions of how the credit program affected their job performance. A series of direct questions was used so that information concerning card usage for each individual activity could be obtained. Questions focused on the ease of use of the card, reductions in effort and paperwork, and user-related difficulties that had been encountered. Respondents were also given the opportunity to provide comments on how they felt the program helped or hindered the small purchase process and asked for recommendations/suggestions for program improvement. A copy of this survey is included in Appendix B.

In addition to the survey, telephone interviews with Contracting Officers and credit card program administrators

were conducted. The interviews were directed primarily at personnel directly involved with overseeing the administration of the credit card at individual activities. Questions to these individuals centered on added administrative burdens, cost reductions in the area of small purchase, and reductions in Procurement Administrative Lead Time (PALT). Additionally, suggestions for improving the Marine Corps wide program were solicited. Officials at the Marine Corps Field Contracting Support Branch (Code LBO) involved with the I.M.P.A.C. program were also interviewed in order to obtain the HQMC perspective on the program. Appendix C is a list of the questions that were asked during the telephone interviews.

Finally, information and data collected from the survey and interviews were analyzed in an attempt to determine how the implementation of the credit card program has affected the procurement of small purchase items. Answers to survey questions from each individual activity were analyzed and compared in order to establish a "big picture" of how the credit card is utilized throughout the Marine Corps. Interview information was also analyzed in an attempt to get management's perspective on the card and how it impacts small purchase procurement.

With this analysis complete, several conclusions were developed regarding the use of the credit card throughout the Marine Corps. Based on these findings, a set of recommendations was constructed which incorporate both the results of the analysis, as well as inputs from individuals that routinely use the credit card. The goal of these recommendations is to provide both HQMC and those activities that use the card with a set of management tools to better administer the credit program throughout the Marine Corps. Additionally, these recommendations may help persuade those non-participating activities to reassess their position regarding the credit card program.

G. BENEFITS OF THE STUDY

This thesis evaluated and assessed the benefits and drawbacks that have resulted from implementing the credit card as a small purchase tool throughout the Marine Corps. It will assist the Marine Corps by providing an independent evaluation of the credit card program at the field activity level. With this information, HQMC will be in a position to provide improved assistance to those field activities that are not currently using the program, as well as those just beginning. They will be able to identify major impediments that current users have encountered and the solutions they found, as well as offer recommendations to future users on how to successfully implement a credit program.

H. ORGANIZATION OF THE THESIS

In Chapter I, the purpose and scope of this thesis were discussed. Assumptions, definitions, and a brief overview of the methodology for data collection were described. In Chapter II, background information concerning the credit program will be presented in order to provide the reader with a history of the program and an understanding of how the Marine Corps has incorporated the I.M.P.A.C. program. Chapter III will present the facts and data received in response to the survey, as well as an analysis of the results. Chapter IV will describe and discuss information obtained through the telephone interviews and an analysis of this information. Finally, Chapter V will present conclusions and recommendations, based on the analysis contained in Chapters III and IV.

II. BACKGROUND

As part of their normal day-to-day business routine, procurement agents of the Federal Government are required to purchase a wide variety of both goods and services. These purchases range in price from a few cents to billions of dollars. Though major systems account for the largest portion of dollars spent, procurement of small purchase items represent a very significant amount of the needs of every agency.

The processes for obtaining small purchase materials and non-personnel services are normally quite repetitive in nature. In order to avoid the long procurement time and the high administrative cost frequently associated with high dollar purchases, small purchase procurement procedures have been established. As part of these procedures, the FAR identifies several specific methods that authorized personnel may use to procure small purchase items. The most widely recognized of these include Blanket Purchase Agreements (BPA), Imprest Funds, and Purchase Orders.

Though simple to use, these methods are not without problems, one of which is that they can often be less than efficient. Not only do they require numerous paper transactions, they usually require vendors to provide items to Government agents at a specified time and receive payment at some later date. Primarily because of the likelihood of untimely reimbursement, many merchants balk when asked to accept payment through these methods. Some have demanded higher prices to offset the inconvenience of giving up stock without payment while others have simply refused to deal with the Government. Consequently, the number of sources from which small purchases may be made is less than optimal. With the implementation of the credit card, the fear of late payment is no longer a concern. Because it allows the merchant to receive nearly immediate payment for a purchased item,

vendors should now be more inclined to do business with the Government. [Ref. 27, p. 12]

A. PROCUREMENT REFORM: THE BIRTH OF THE GOVERNMENT CREDIT CARD

For decades, the Federal acquisition process has been characterized by tremendous amounts of time and effort being expended by large numbers of people following a myriad of rules and regulations. Despite several efforts designed to improve this process, it remained virtually unchanged. Recommendations for improvement more often than not were either ignored or failed to be implemented. The result was frequently an item that either failed to perform as required when delivered or was delivered late and far over the estimated cost. [Ref. 7]

In the mid 1980's, the acquisition process was highlighted by the disclosure of several well-publicized accounts of fraud, waste and abuse. As a result of these and other procurement-related scandals, then President Reagan established the Blue Ribbon Commission on Defense Management (more commonly known as the Packard Commission), in 1985. The purpose of this Commission was to provide an in-depth analysis of DOD management policies and procedures pertaining to the entire acquisition process. Specifically, the Commission was directed to analyze the budget process, legislative oversight, and the defense acquisition system, and to make recommendations on how to correct the deficiencies it found. [Ref. 7]

The Packard Commission provided its findings to the President in June of 1986 in a report titled A Quest for Excellence: Final Report to the President. [Ref. 7;p. 10] This report pointed out most of the same problems that had been identified by several similar studies conducted over the previous twenty years, as well as many new ones.

However, the Commission found a single underlying factor to be the primary cause of most of the DOD's troubles:

...the defense acquisition system had basic problems that had become deeply entrenched over several decades by an increasingly bureaucratic and overregulate process. As a result...the defense acquisition system produced weapon systems that cost too much, took too long to develop, and by the time they were delivered, incorporated obsolete technology. [Ref 3: p. 10]

The Commission determined that the only way the process could be fixed was through the implementation of fundamental reforms to the DOD's acquisition system. A total of 55 recommendations were made with special emphasis being placed on nine areas. One of these nine was a recommendation to improve the procurement process by streamlining the entire DOD acquisition system. Included here were those rules and regulations related to small purchases procedures. [Ref. 7]

During the same period, the Congress began a parallel examination of the military's ability to conduct effective research and development, test and evaluation, and the procurement of weapon systems and military equipment. This effort resulted in several defense acquisition reviews, numerous GAO reports and various pieces of legislation that addressed the deficiencies of the DOD acquisition process. Perhaps the most far reaching of these was the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (P.L. 99-433). This act specifically directed the DOD to implement changes to its procurement process in order to avoid future instances of fraud, waste and abuse. [Ref. 8]

Several innovative concepts resulted from these two separate efforts, one of which was the idea of using a credit card to make small purchases. For over 50 years, the Federal Government used the same basic methods for making small purchases. As mentioned above, these methods were not always

embraced by merchants, primarily because of payment problems. With the credit card, however, merchants would receive nearly instantaneous payment and therefore be more inclined to deal with the Government.

B. THE FEDERAL GOVERNMENT IMPLEMENTS A CREDIT CARD PROGRAM

In September of 1986, the Department of Commerce acting at the behest the Office of Management and Budget (OMB), and under authority granted by Executive Order 12352, "Procurement Reform", sponsored a pilot program whereby small purchases could be paid for using a Government credit card. This program was first implemented by the National Oceanic and Atmospheric Administration. After a competitive bid process, the Rocky Mountain BankCard System (RMBCS) was awarded a contract to provide MasterCard services for this program. At its zenith, the program had 24 organizational activities actively participating. Similar to the Department of Commerce, many of these continued to use the program successfully for several years, until the contract with RMBCS expired. [Ref. 3, p. 2]

Following the success of the NOAA experiment, the OMB tasked the General Services Administration (GSA) with developing a credit card program for the entire Government. RMBCS was again chosen to provide services however this time the VISA card would be used. In 1988, four Department of the Navy (DON) facilities were among several activities that were chosen to take part in a Department of Defense test program designed to determine the applicability of the program to military procurement. One of these, Marine Corps Base Camp LeJeune served as the test bed for the Marine Corps, instituting its program in January of 1989. [Ref. 28;p. 2]

In late 1989, the OMB determined that the pilot program was indeed a success and subsequently directed the GSA to

implement credit card service Government-wide. The primary goals of the program were to [Ref. 5;p. 1]:

- streamline payment procedures and reduce administrative costs for acquisition of supplies and services under \$25,000;
- improve Government cash management practices, e.g. forecasting, consolidating payments, reducing imprest funds, etc.; and
- provide procedural checks and feedback to improve management control.

Previously, in March of that year, the GSA awarded a single award schedule contract to RMBCS. Under this contract, RMBCS would provide Government-wide credit card services to all Federal agencies wishing to participate. The contract stipulated that RMBCS would supply the same basic services that it had provided for the Department of Commerce. The only notable exception was that cardholders would now use the VISA credit card. The contract period would be for one year, with annual renewal options for four additional years. Following this award, the Deputy Assistant Secretary of Defense for Procurement authorized the use of the GSA Government-wide Commercial Credit Card Program by all DOD activities. She stated that the card was to be used primarily as a replacement for SF-44s and Imprest Funds but that it could also be used in place of Purchase Orders and BPAs. Based on this, the Naval Supply Systems Command authorized all activities within the Department of the Navy to implement a program in August of 1989. [Ref. 28] [Ref. 5;p. 37]

C. THE CREDIT CARD PROGRAM TODAY

On February 16, 1994, the GSA awarded RMBCS a firm fixed-price requirements-type contract, number GS-23F-94031. This contract, which runs for nine months and has four 1-year renewal options, is to provide Government-wide commercial

credit card services to the Federal Government. Although the goals of the program remain the same as before, there have been several improvements to the program. These include the elimination of the administrative fee (previously paid by the agency), revised report formats, enhanced account maintenance procedures, and remote access to program and account information via personal computer. Additionally, all agencies are offered the opportunity to receive financial incentives for using the card more efficiently. These incentives, referred to as Productivity Based Refunds (PBR), will enable an agency to obtain a refund (which will be based on a percentage of net sales) for expeditiously settling their monthly account statements. Two types of refunds are available; one is based on the timely remittance by an activity of its bills and the other is paid to those activities that electronically receive all of their monthly reports from RMBCS. These refunds are paid semi-annually and are accompanied by supporting documentation. [Ref. 10]

The credit card itself, which is officially known as the International Merchant Purchase Authorization Card (I.M.P.A.C.), was designed specifically for official Government use. Although it is the same size and shape as a regular commercial card, it has several unique features that differentiate it from personal use cards. First and foremost, it is emblazoned with the Great Seal of the United States as well as the I.M.P.A.C. and VISA trademarks. Also, it bears the VISA hologram on it in addition to the words "U.S. GOVT TAX EXEMPT." Finally, despite having the name of the individual cardholder on it, the card is to be used only for specific, Government authorized purchases. [Ref. 10]

The intended use of the card is to pay for the authorized purchase of goods and services that are under the small purchase limit, which at the time of this thesis is \$25,000. A major stipulation is that under normal circumstances, these

items must be commercially available and should be ready for immediate use or delivery. As the name implies, the card may be used worldwide to make authorized purchases. It is not designed to replace BPAs or purchase orders, nor is it meant to reduce the utilization of GSA supply sources or stock in local warehouses. [Ref. 10]

The GSA contract places two major types of restrictions on what may **not** be purchased with the card. The first is referred to as a Regulated Purchase which consists of items that controlled by specific activity guidelines. For example, the credit card may not normally be used to pay for travel, lodging, and meals. However, when authorized by the activity, the VISA card may be used for these items as long as the GSA travel and subsistence card is not accepted. The second type is a Limitation, which says that the card shall not be used by the cardholder to make purchases for his/her personal use. Further, it can't be used to obtain a cash advance in order to pay for official use items. Finally, it cannot be used to pay for the lease or rental of property nor can it be used to pay for telephone services. [Ref. 10]

Participation in the I.M.P.A.C. program does not relieve the cardholder from complying with established rules and regulations contained in the FAR, DFARS and Service supplements. Of specific importance is the fact that use of the card must be consistent with the regulations contained in FAR, Part 8 concerning the use of mandatory sources of supply. Furthermore, all applicable rules in the FAR, Part 13 concerning small purchases, especially those concerning the need to obtain adequate competition, must be strictly adhered to. [Ref. 10]

Use of the credit card throughout the Government has grown steadily since its initial inception eight years ago. This growth is more impressive given the fact that the I.M.P.A.C. program has only been authorized for Federal

agencies since 1989. During the period from April 1989 through April 1993, more than 59,000 credit cards have been issued throughout the Government. Over 600 agencies were participating in the program and almost 2.7 million purchase transactions took place. The total of these purchases amounted to \$681.9 million, with the average daily sales level being \$1.7 million. The average purchase price of items obtained with a credit card was \$250. Figure 1 shows that DOD purchases account for 50 percent of the total sales volume in this four year period. [Ref. 1;pp. 10-14]

D. ESTABLISHING AND IMPLEMENTING THE PROGRAM

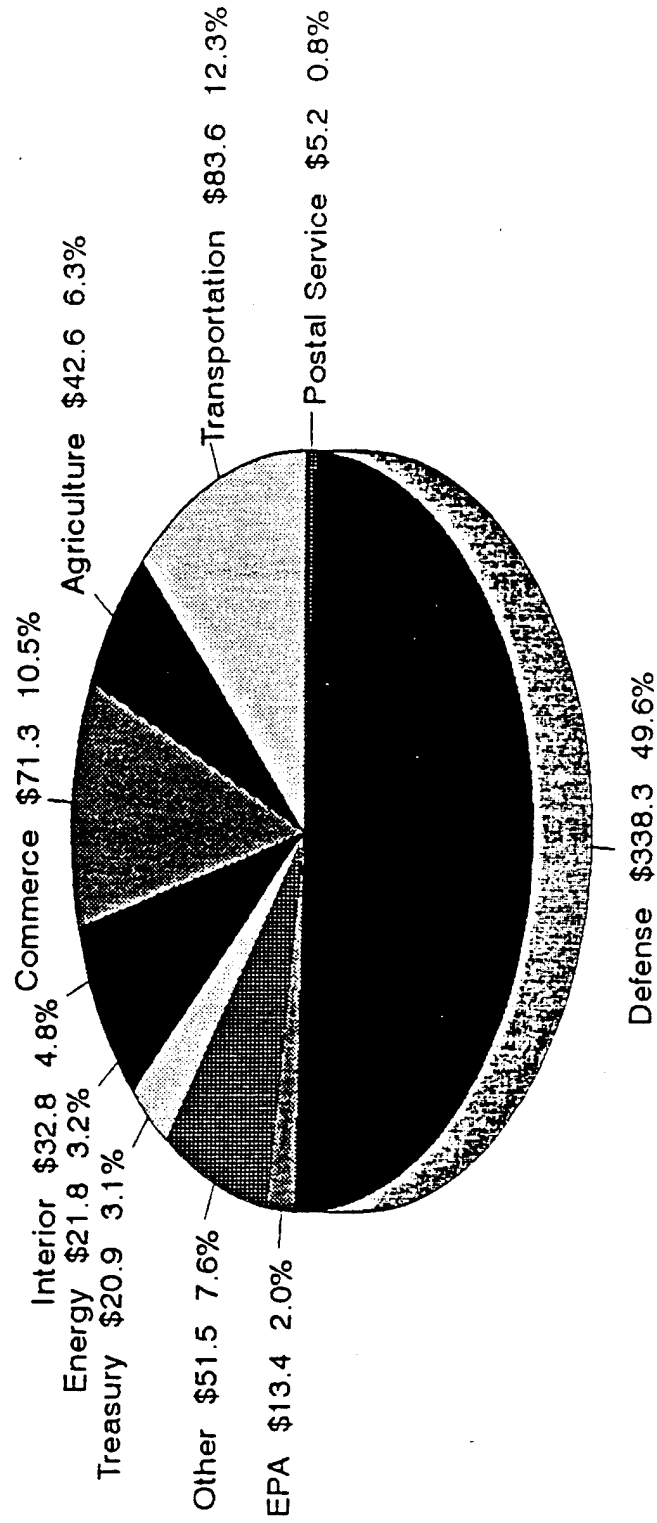
In order to implement the program at a specific activity, two essential personnel must be first identified in writing. Perhaps the most important is the Agency/ Organizational Program Coordinator (APC). This individual is the person that serves as the primary liaison between the activity and RMBCS for matters concerning day-to-day card utilization. They will be ultimately responsible for overseeing the activity's I.M.P.A.C. program. The APC must ensure that all personnel that will be involved with the activity's credit card program receive mandatory training prior to requesting program start-up. This training will be provided by the contractor at the activity site and will cover at a minimum the areas of finance, reconciliation, implementation, cardholder set-up, disputes and other program related topics requested by the activity. Also, RMBCS will be responsible for describing the current commercial credit card regulations that apply to the Government program. [Ref. 10]

Second, the the Contracting Officer's Technical Representative (COTR) will be responsible for establishing a system of local controls and internal operating procedures. These management controls must meet the constraints and be within the scope of the terms and conditions set forth in the

GSA IMPAC Program

Major Users

April 1989 - April 1993



Total Sales (In Millions) \$681.9

From Ref. 9; p. 13

Figure 1. I.M.P.A.C. Sales Figures

GSA contract, as well as adhering to any applicable agency guidelines. The COTR will be responsible for coordinating the applications for individual accounts as well as the issuance and destruction of credit cards. The COTR will also be the individual that normally meets with representatives from RMBCS and will be responsible for completing mandatory reports and conducting training within the activity. Finally, the COTR will be the activity's primary representative when dealing with technical matters concerning the credit card. This individual may provide assistance to both RMBCS and the GSA Contracting Officer as required, but is not authorized to make any alterations to this contract. [Ref. 23]

Once the above requirements are accomplished, a delivery order will be issued by the activity to RMBCS in accordance with the current GSA contract guide. In effect, this delivery order is a formal request by the activity to participate in the credit card program. Included in this request must be the names of all key personnel involved with the activity's program as well as a summary sheet of the training provided to these individuals. Also, a copy of the internal controls that the activity has established must be included with the delivery order. The contractor will then prepare a delivery order through the GSA which will add the requesting activity to the current contract. [Ref. 10]

After receiving the delivery order, RMBCS personnel will meet with representative from the activity's administrative department, financial and procurement offices. At this time, a plan for implementing the program will be established. RMBCS personnel will provide instructions to the APC on how to complete account set-up forms as well as describing other necessary activity-based functions that are required by the program. The APC will in turn ensure all required forms are complete and forward them to RMBCS. Included with these forms must be a copy of the Delegation of Authority letter for **each**

proposed cardholder. Once the account program set-up package has been received by RMBCS, the contractor must contact the APC within fifteen working days to discuss the actual implementation process. At this time, any last minute information concerning his/her program will be passed to the APC. Credit cards will be mailed to the individual cardholder within five working days. When the cardholders receive their card, they must verify receipt by contacting an automated Voice Response Unit (VRU). This is accomplished by calling a toll free number provided to the cardholder. If this is not done within two weeks of card issue, the account will be temporarily blocked from use. After activation, the cardholder is then free to use the card. [Ref. 10]

E. MANAGING THE CREDIT CARD PROGRAM

The use of the credit card to facilitate small purchases will be only as effective as the incorporated management controls. These controls come from mandatory requirements spelled out in the GSA contract as well as those imposed by each agency and the individual activity.

To be eligible for a credit card, the GSA contract says that cardholders should be either Government employees or cost reimbursable contractors. Further, it recommends that individuals have formal, documented training on either small purchase procedures or basic procurement and contracting methods. Another GSA publication recommends that they should have a minimum of eight hours of on-the-job orientation/training on small purchase procedures. This should at a minimum encompass the following topics: [Ref. 23]

- Federal and agency specific acquisition regulations, policies and procedures
- Competition and price reasonableness
- Documentation requirements

- Prohibitions concerning the splitting of purchases
- Required sources of supply and services
- Small Business - Small Purchase Set-Aside procedures
- Requirements and restrictions concerning foreign made articles found in FAR, Part 25

Additionally, because these personnel are to become procurement officials, they must receive procurement ethics training as well as understand and complete the certification requirements laid out by FAR, Part 3.104. Once this is accomplished, the Head of the Contracting Authority (HCA) may delegate procurement authority to an individual in order for them to apply for a credit card. [Ref. 10]

The card that is issued to the cardholder has his/her name and individual account number embossed on it and can only be used by that person. No one else is authorized to use the card and each cardholder is responsible for the security of his/her card. When the card is issued to an employee, the APC will provide an authorization number unique to that individual. This number will be incorporated into the magnetic strip on the back of the card and enables merchants to use electronic authorization methods. This authorization process verifies that the person using the card is not only authorized to buy the good or service demanded but also is able to charge the amount for the product. [Ref. 23]

As mentioned earlier, when an individual is issued a credit card, they become a procurement official. Consequently, the HCA must at his/her discretion delegate their authority to make small purchases to that cardholder. This delegation must be in writing and will include the dollar limit (up to \$25,000 or agency limit) that the individual is allowed to purchase. Having this delegation does not automatically guarantee that an individual will receive a credit card; an application must still be submitted and

approved as described above. [Ref. 10]

When the credit card program is initially implemented, two major limitations are established. The first concerns the types of merchants that may be dealt with. This is done either by merchant category or by the use of the Standard Industrial Classification (SIC) code. The second involves dollar thresholds, of which there are several. Each cardholder is subject to a single purchase limit, a monthly purchase limit and a monthly office limit. [Ref. 10]

The single purchase limit is a dollar ceiling assigned to each cardholder. It defines how much he/she may purchase during a single transaction and is actually a limit on the procurement authority delegated to the cardholder. This dollar limit applies to the total amount spent during an individual transaction and is irrespective of the number of items being purchased at that time. In other words, the cardholder cannot exceed this limit, even if they are buying numerous items during a single purchase evolution. This limit is assigned when the individual first receives his/her card and may vary from one cardholder to the next. [Ref. 10]

The monthly purchase limit is a dollar ceiling assigned by the cardholder's approving official. The purpose of this limit is to prevent an individual cardholder from spending more than an activity prescribed monthly limit. Again, the total dollar value of orders for a single month may not exceed this limit, regardless of the number of purchases made. This too may vary amongst cardholders. [Ref. 10]

Finally, there is a monthly office limit which is a predetermined restriction assigned by the APC to each approving official. This means the cumulative dollar value of all cardholders' monthly purchases for a particular approving official cannot exceed the monthly office limit. This limit is established for each approving official. [Ref. 10]

Signature cards are required of the cardholder, the

approving official, and the alternate approving official. These cards are used by the activity's finance office to certify both the cardholders' monthly account statement as well as invoices received from RMBCS for payment. These signature cards must be on file at the activity's finance office in order for RMBCS to be paid. [Ref. 23]

Regardless of whether the credit card purchase is made over the phone or at the merchant's place of business, RMBCS normally requires all merchants to obtain authorization for those purchases over \$50.00. However, because of the current availability of electronic authorization methods, most merchants obtain authorization for **all** purchases made with the credit card. During the authorization process, the cardholder's single purchase and monthly purchase limits will be checked, as well as the approving official's monthly office limit. Additionally, RMBCS will verify that the merchant is an authorized supplier for that particular account before approving the transaction. [Ref. 10]

When using the credit card to make purchases, the cardholders must keep in mind that there are several non-monetary restrictions on how the credit card may be used. As mentioned before, the single purchase limit cannot be exceeded. More importantly however, the cardholder may not split an order to remain within his/her single purchase limit. Also, any over-the-counter purchases that are made with the card must be available for immediate use/pickup. The Government cannot be charged sales tax and it is up to the cardholder to inform the merchant of this when making the purchase. All accountable property purchased with the card must be reported immediately to the cognizant inventory control organization for inclusion in the inventory system. Any order placed over the telephone and paid for by the card must be delivered within the 30-day billing cycle unless confirmed by a written order. Further, all items purchased

during a single phone transaction must be delivered together unless written confirmation is received. Finally, back-ordering of an item, whether over the counter or telephone is prohibited. [Ref. 23]

F. MAKING PURCHASES WITH THE CREDIT CARD

All agencies of the Government that use the credit card are required to follow the same basic guidelines and procedures that are delineated in the GSA contract. In addition, all cardholders that make purchases with the I.M.P.A.C. are required to comply the applicable portions of the FAR and the Marine Corps Purchasing Manual (MCO 4200.15G). Finally, all credit card purchases must follow prescribed internal directives. Keeping in mind that each activity is allowed to implement the credit card program in a manner that best fits their needs (as long as it follows these regulations), the following describes the generic process that should be used when making a purchase. [Ref. 10]

A cardholder will receive some type of purchase request documentation (PRD) describing what type of item or service is required. This PRD, which comes from the customer, will normally contain at a minimum a document control number, a description of the item that is needed and the quantity required, the estimated cost and appropriation data. [Ref. 23]

Following the receipt of a PRD, the cardholder will complete a purchase in one of several ways. The first is the oral purchase method which involve placing an order or a making a purchase through an oral agreement. This may be done either over the telephone or in person. When this type of purchase is made, no written purchase order or contract is issued by an agent of the Government. The types of purchases made using this type of arrangement are for those supplies and services that can be described in enough detail that both the cardholder and the vendor have a clear understanding of what

is being purchased. Additionally, oral purchases made using the credit card must be in line with the procedures authorized by the FAR concerning BPAs and Imprest Funds and are for items that do not require a purchase order or contract. [Ref. 23]

When obtaining items via this method, the cardholder must ensure that the vendor is aware of several important items. The vendor must be notified that the purchase is exempt from all taxes and that the charge to the credit card will not be made prior to the items being shipped. All items must be available and shipped within 30 days and that adequate documentation is provided detailing the following information: [Ref 10]

- Cardholder's name and telephone number
- Document number
- Itemized listing of items provided, including quantity shipped and unit price
- Applicable discounts
- Required delivery date
- Address of the vendor and the cardholder
- The bankcard charge slip or sales document
- The words "Credit Card" must be clearly marked on the shipping document or packing slip

The second method by which a cardholder may obtain items and services with the card is by making an over-the-counter purchase. This involves going to the supplier's place of business and making a buy directly from them. The only documentation required in this instance is the bankcard charge slip. [Ref. 23]

A third way of using the card involves paying for a purchase made by using a purchase order or contract. Though

not a preferred method, it is nonetheless another alternative the cardholder has for obtaining goods and services. The vendor will provide the required information on the order form and will insert the statement "Payment to be made by credit card" in the appropriate block on the form. The cardholder must remember NOT to provide his/her credit card number on the purchase order or to the vendor. [Ref. 23]

The cardholder must have some type of accounting system to keep track of the information concerning all credit card purchases. Included in the system should be a method to document credit card orders below \$2500 where competitive quotes are not obtained. If competitive quotes are sought, or the purchase is over \$2500 (and therefore requires vendor competition), then the record must adequately show all pertinent information. It is important for the cardholder to have these data as they must accompany the monthly billing statement when the cardholder submits it to his/her approving official. [Ref. 23]

At the end of each monthly billing cycle, RMBCS will provide to the cardholder a statement showing the transactions made during previous billing cycle. This will be sent to the cardholder within five working days after the end of the billing cycle. The cardholder will review the statement for correctness and reconcile it against the PRDs retained for each purchase. For each transaction, the cardholder will provide on the statement the required appropriation data, plus any other information required by internal activity regulations. The cardholder will then sign the statement, certifying that it is complete and correct and forward it to his/her approving official. The cardholder must also include all supporting documentation concerning the purchases shown on the statement. [Ref. 23]

Should the cardholder question an entry on his/her statement, the activity's disputes official should be notified

by completed Cardholder Statement of Questioned Item form. A copy of this form must be attached to the cardholder's monthly statement of account when it is submitted to the approving official. RMBCS will credit the transaction until the dispute is resolved and the activity must immediately attempt to resolve the problem with the vendor. Should the vendor and the activity not be able to come to a solution, the activity must notify the GSA contracting officer. [Ref. 23]

The approving official, after receiving the cardholders statement and supporting documentation, will review and verify that all transactions made were in the interest of the Government. Additionally, he/she will verify that all FAR requirements for small purchases were adhered to and than mandatory supply source provisions were followed. Once this is accomplished, the approving official will compare the statement of account received from the cardholder with the his/her statement of account. This statement will be provided by RMBCS and is a summarized listing of the transactions of each cardholder under his/her auspices. RMBCS will send this statement to the approving official within five working days after the end of the billing cycle. When the statement has be reviewed for correctness, the approving official will verify it with his/her signature and forward it, along with all of the cardholder's material, to the finance office. [Ref. 23]

The local finance office that has cognizance over the activity will receive a consolidated statement from RMBCS for all of the cardholders at that activity. This statement will serve as the billing notice for the entire activity. The finance office will pay the amount shown only after the finance office has received the certified statements from both the approving official and the cardholder. [Ref. 23]

G. DRAWBACKS TO THE CURRENT I.M.P.A.C PROGRAM

Because of the current requirements to reduce the size of the DOD, as well as finding ways to improve the efficiency of procuring goods and services, the use of the credit card appears to be an excellent way to accomplish both. However, the credit card program has several major impediments. The program administrator for a major Army installation that uses the credit card extensively points out several barriers she feels prevent a more effective utilization of the credit card [Ref 10]:

- Inadequate instructions in FAR regarding oral purchases,
- Advance funding limitations that preclude front-line managers from controlling small purchase funds directly, and
- Agency restrictions that limit the number of cardholders, the frequency of use, and the merchandise/dollar limits.

In addition to those problems identified above, another deficiency of the program is the lack of uniformity in implementation. Despite the fact that the program has been utilized since 1989, each agency and department has developed its own set of procedures and policies. Although each complies with the basic requirements of the GSA contract, there is no guiding FAR provision for utilization. This precludes vendors and Federal users from having one common source to consult for pertinent information. [Ref. 1;pp. 10-14]

H. SUMMARY

The intent of this chapter was to provide the reader with an understanding of how the credit card program came into being and how it has evolved to its present form. It described the main factors that lead to the program's

inception, most specifically the need for acquisition reform addressed by both the President and Congress in the mid-1980's. The chapter also examined the implementation of the program, from the pilot effort started by the Department of Commerce to the current contract with RMBCS. Generic management controls (i.e. those which are required by the GSA contract regardless of agency affiliation) concerning the use of the credit card were addressed, as were the generic steps a cardholder must take to make a purchase with the credit card. Finally, some of the major drawbacks that currently affect the entire I.M.P.A.C. program were examined.

Chapter III will present and discuss the results of the survey described in the introduction. Data from each Marine Corps activity that responded to the mail-in survey, as well as information obtained through telephone interviews, will be presented.

III. WRITTEN SURVEY DATA PRESENTATION AND ANALYSIS

This chapter contains the results of a question and answer survey provided to Marine Corps purchasing personnel that regularly use the credit card to make small purchases. It is divided into three major sections. The first section describes the methodology behind the survey. The second section presents and analyses the data gathered by the researcher. The third section is a summary analysis of the entire survey.

The first section will describe the rationale behind the use of a survey to gather data, as well as how it was implemented. Prior to issuing the surveys, the researcher hypothesized that there was a potential for distinct differences in the attitudes/opinions/ answers provided by cardholders at larger activities as compared to similar personnel at smaller activities. This hypothesis was a result of conversations with credit card officials at the Field Contracting Branch, Headquarters, Marine Corps (HQMC, Code LBO). These individuals indicated that in their discussions with various activities throughout the USMC, it has become apparent that there are varying degrees of success regarding credit card use. [Ref. 19;17 March 1994]

For the purpose of this research, larger activities are those major commands that have large numbers of external units which place extensive demands on their purchasing and contracting offices. Examples of such activities are Marine Corps Base (MCB), Camp Pendleton and Marine Corps Recruit Depot (MCRD), Parris Island. Smaller activities are comprised primarily of individual Marine Corps Recruiting Offices. These are relatively autonomous units that have few, if any, external purchasing demands placed on them.

Next, the data obtained from the surveys will be presented individually, question by question. Each will be stated followed by the answers that were submitted by

respondents. Within the results section, the data from larger activities will be presented first, followed by the smaller ones. After the presentation of the data, an analysis of these results will be presented.

Finally, the third part of the chapter will tie together the results and analysis of the previous section. The purpose here is to portray a picture of the overall credit card program, including the attitudes of the personnel who use the card, as well as how they employ it.

A. CARDHOLDER SURVEY METHODOLOGY

Written surveys were sent to thirteen (13) activities throughout the Marine Corps. These activities represent both large field contracting offices located at major installations (including the Marine Corps Reserve Forces), as well the individual Recruiting Offices within each of the Marine Corps Recruiting Districts. A listing of all activities that received surveys is provided in Appendix D.

The survey, which consisted of 20 questions, was divided into two major areas. It was constructed by the researcher in order to obtain cardholder-based information on the credit card program. The basis for dividing the survey into separate areas was two-fold. First, in order to compare how the card was utilized by various activities throughout the USMC, it was necessary to determine how individual activities were implementing the credit card program. Consequently, in the first section cardholders were asked to respond to primarily objective-type questions dealing with how they used the card. In the second part of the survey, cardholders were presented with questions of a more subjective nature. This was done in order to ascertain their opinions on how they felt the card had affected the small purchase function at their command.

The surveys were mailed en-masse to a point of contact at each command. These personnel, whose names were provided by

HQMC, were either the Purchasing Officer (in the case of the Recruiting Offices) or the senior credit card official (at the major field activities) for the command. In order to assure that respondents remained anonymous and would therefore be more apt to provide completely honest replies, no personal information concerning the individual completing the survey was requested. Only the activity the individual was assigned to and his/her billet were requested. Additionally, each of the surveys were provided to the respondent with a pre-addressed return cover page so that once completed, the survey could be stapled and placed directly in the mail. Finally, in an attempt to show that the research was being conducted to assess and improve the credit card program for the entire Marine Corps, a cover letter from the Director of Marine Corps Contracting, Mr. Phil Zanfagna, was included with each survey.

Surveys were sent out the first week of August, 1994 and respondents were requested to complete the survey and return them as soon as possible. The researcher decided that in order to adequately compile and analyze the survey results, those arriving after the end of September would not be included in the analysis portion. The number of surveys returned was satisfactory; of the 200 surveys that were sent out, 100 were returned prior to the September cut-off date. Furthermore, and perhaps more importantly, all but two of the activities responded. Consequently, the researcher felt that an adequate sample size existed to provide accurate results. With rare exception, each survey was filled out in its entirety and the answers appeared to be both truthful and well-thought out.

B. SURVEY RESULTS AND ANALYSIS

1. Credit Card Utilization Data: Results and Analysis

This section consists of a compilation of the data gathered from the responses to survey questions as well as an

analysis of these data.

a. Question 1.

What activity are you assigned to and what is your billet?

b. Results and analysis.

The purpose of this question was to determine which personnel individual activities were using to make small purchases with the I.M.P.A.C. In examining the larger commands, a wide variety of cardholders completed and returned surveys. However, the preponderance of personnel from the these activities can be grouped into two general categories. This first group, comprising sixty-three (63) percent of the respondents, consists primarily of contracting personnel located at installation contracting offices. Both military and civilian Contract Specialists (13%) and Purchasing and Contracting Clerks/Agents (50%) are represented here. The other group of significant size, representing twenty-seven (27) percent of the cardholders, indicated that they were logistics personnel and included Supply Officers, Supply Chiefs and Material Expeditors (each comprising about 9% respectively). These personnel stated that they work at activities other than the installation's contracting office and they are not subordinate to that office. The remaining respondents (10%) appear to be assigned to various non-contracting/non-supply positions, and represented a broad range of billets. All came from a single installation and include the following billets:

- Director for Management Support Services for DOD Schools
- DOD Firefighter Supervisor
- Engineering Project Assistant
- Manpower & Position Management Specialist

- Environmental Program Coordinator
- Budget & Accounting Assistant
- Administrative Personnel (Fiscal Officer, Admin Chief, and Legal Assistant)

Analysis of individual surveys indicates that all large installation have a core group of cardholders that are procurement personnel by trade. Comprised of Contract Specialists and/or Contracting Clerks/Agents that work directly for the activity's Contracting Officer, these personnel represent the largest number of credit card users at most commands. However, some Contracting Officers have chosen to decentralize the procurement of small purchase items by delegating authority and responsibility for this task to other activities. The most likely reason for this decentralization effort is to reduce the amount of work required of contracting office personnel. A possible explanation for this might be that a limited number of trained, contracting personnel exist at these offices. In an effort to reduce the workload that results from small purchase requirements, some Contracting Officers have passed authority to make credit card purchases to units external to the buying office. This would in turn allow contracting office personnel the opportunity to spend more time on higher priority procurement tasks.

The delegation of credit card usage at larger activities certainly can reduce the workload on contracting office personnel. However, it also invites potential problems. For example, it enables personnel that are not fully trained in the intricacies of the procurement field to obtain items from commercial vendors. The resulting difficulty is ensuring that these cardholders follow the guidelines established in the Federal Acquisition Regulation (FAR) concerning the rotation of vendors when making small purchases. Also, the possibility exists that personnel at

remote locations might find it easier to use the credit card to obtain routine supplies directly from commercial sources rather than through prescribed sources.

The individuals that responded from the smaller units are for the most part personnel with either a supply or logistics background. Seventy five (75) percent of these respondents are Supply Chiefs and Supply Clerks. Of the remaining personnel, twenty (20) percent are Purchasing Agents and five (5) percent are Fiscal Personnel. These smaller activities appear to only use personnel that are from procurement related fields. Unlike most of the larger activities, these smaller units do not need to delegate purchase authority because of their size, volume of purchases, and most importantly because there are no other units they are required to support.

c. Question 2.

What is the individual per transaction dollar limit of **your** credit card?

d. Results and Analysis.

This question was intended to determine what, if any, standard dollar amount is assigned to cardholders throughout the Marine Corps. The results from the survey are presented in Table 1. This table includes both the large and small activities.

As can be seen, the majority of cardholders in the larger units have a per transaction limit of between \$2500 and \$25,000. Further analysis of individual responses shows that most of these cardholders have either \$2500 **or** \$25,000 as their limit. Additionally, those personnel that reported having a \$25,000 limit were in all cases assigned to a contracting office and were contracting personnel (i.e. Contract Specialists, Purchase Agents). For the individuals that stated they have a \$2500 limit, the largest number indicated they are assigned to units outside the

| Amount | Large Activity | Small Activity |
|-------------------|----------------|----------------|
| \$500-\$999 | -- | 5% |
| \$1000-\$2499 | 14% | 19% |
| \$2500-\$4999 | 52% | 61% |
| \$5,000-\$9,999 | -- | 5% |
| \$10,000-\$25,000 | 34% | 10% |

Table 1. Transaction Dollar Limits

installation's contracting office. The majority of these further stated that they are assigned to supply/logistics operations (e.g. Base/Facility Maintenance Offices, Public Works Departments, Fiscal Offices) although one large activity allows selected cardholders at external commands such as the Environmental Management Department and the Base Fire Department to have this limit. The remainder of the respondents (e.g. those that indicated they have limits between \$1000 and \$2499) are all assigned to operations that are not only separate from the contracting office but are also non-supply related activities. These cardholders are located at such diverse external activities as the Rifle Range, Base Legal, and the Base Manpower Department.

More than half (61%) of small unit cardholders responded that their limit is between \$2500 and \$4999. These individuals all reported having a supply or logistics background. The ten (10) percent of the respondents that said they have a limit between \$10,000 and \$25,000 are all contracting personnel, with one exception. This individual stated that he/she is the unit's Supply Chief.

Looking at the actual numbers, it appears that the standard per transaction limit for both large and small activities is between \$2500-\$4999. Further analysis of

individual surveys indicates that the vast majority (89%) of these cardholders have a \$2500 limit. For those activities that have chosen to decentralize the use of the card and allow it to be used at non-supply related offices, the data show these cardholders normally have a \$1000 limit.

Both of these amounts appear to be an attempt on the part of the responsible Contracting Officer to restrict the amount and type of materials that personnel may purchase. Further, by keeping the amount under 10% of the small purchase threshold, the competition requirements that are established in FAR, Part 13 can be avoided, reducing the amount of effort required of the buyers. Also, the \$1000 limit is most probably an effort by the Contracting Officer to further limit the purchase authority of cardholders with little previous procurement training or experience.

e. Question 3.

Do you feel this amount adequately covers the majority of **your** purchasing needs? Yes/No (If No, please briefly explain why not)

f. Results and Analysis.

With the exception of four (4) individuals, all the respondents from both the large and small activities answered "yes" to this question. This response level indicates that cardholders throughout the Marine Corps consider their purchase limit adequate. Regardless of the amount, the vast majority of cardholders say they can use the credit card to obtain most of the items they require. This indicates that Contracting Officers have done a satisfactory job of assigning purchase limits to individual cardholders. This is especially important in ensuring that controls placed on the card do not inhibit its use unnecessarily.

The personnel that replied with a negative answer (1 is from a large activity and 3 are from the smaller) appear to all have similar attitudes concerning this topic. Each of

them stated in their response that many of the items they are required to purchase exceed the per transaction dollar amount of their card. Furthermore, two (2) individuals from this group (both from the smaller units) also indicated that the dollar limits they are authorized to use in order to obtain items using other small purchase methods (BPAs and Imprest Funds) are higher than their credit card limit. A possible reason for this might be that the Approving Official for these particular individuals desires to keep the use of the credit card to a minimum. By setting the credit card limit low, these officials could better control card use or, if so desired, force the buyers to use the more traditional small purchase methods.

g. Question 4.

What is the monthly transaction dollar limit of **your** credit card?

h. Results and Analysis.

As with Question 2 above, this question was included to determine what monthly transaction limits are imposed on cardholders throughout the Marine Corps. The responses to this question, from both the large and small activities, are shown in Table 2.

In analyzing the monthly transaction limits for respondents from larger activities, it appears that there is no single dollar amount that is consistently used throughout the Marine Corps. In other words, the data indicate that there is a fairly large spread in what cardholders may spend per month with their credit card. In fact, in examining individual surveys from each activity, it appears that each has a different way of assigning limits. However, upon closer examination, a pattern does exist. Those Contracting Officers that retain close control of the program by limiting the delegation of credit cards allow their cardholders to have higher limits. For example, one activity allows each of its

| Amount | Large Activity | Small Activity |
|---------------------|----------------|----------------|
| \$1000-\$4999 | 3% | 10% |
| \$5000-\$9999 | 6% | 24% |
| \$10,000-\$24,999 | 3% | 52% |
| \$25,000-\$49,999 | 17% | 14% |
| \$50,000-\$74,999 | 9% | -- |
| \$75,000-\$99,999 | 6% | -- |
| \$100,000-\$250,000 | 20% | -- |
| \$999,999 | 6% | -- |
| None/No Answer | 17% | -- |

Table 2. Monthly Transaction Limits

four (4) Contract Specialists to have a \$150,000 limit. At another, the activity's six (6) cardholders have their limit set at \$999,999. Because only Contract Specialists are authorized to use the card, no comparison could be made with non-Contract Specialists at either of these activities. However, limits on non-Contract Specialists at commands that decentralized the use of the card were in all cases much lower than their counterparts.

For the larger activities that allow decentralized use of the card, personnel at the contracting office are allowed much higher limits than those at external activities. Whereas a Contract Specialist located at the contracting office might have a limit of \$200,000, a person at an external activity would likely only have a \$2500 limit. A pattern exists here also; analysis of individual survey results indicate that those external activities which have supply/logistics personnel using the credit card are authorized higher monthly limits than their non-procurement counterparts, although no specific dollar limit seems to

exist.

In either case, it was difficult to tell from the results of the survey exactly how limits are assigned. Personnel from the same office, whether it is a contracting office or an external activity, might have the same billet description and transaction limit but would have appreciably different monthly limits. For example, in one contracting office, two Contract Specialists both have a per transaction limit of \$25,000, yet one has a monthly limit of \$200,000 while the other stated he/she has no limit. A possible explanation for this might be that an individual who has on been with the activity just a short time might be assigned a lower monthly threshold than someone who is experienced within that command. Another reason might be that the latter simply does not know what his/her limit is. This would seem unlikely because one of the items to be covered in the basic credit card training process is cardholder limits.

Although this might explain differences within the same activity, there seems to be little similarity in the way different commands assign limits to like positions. In analyzing similar contracting billets at different commands (e.g. Contract Specialists), monthly limits varied dramatically. As an example, Contract Specialists from two different Marine Corps bases (each of whom have \$25,000 per transaction limits) were examined. One group has a \$150,000 monthly limit while the other has a limit of \$999,999. Both of these activities were centralized operations with small numbers of cardholders (five and nine, respectively).

Of particular interest is the fact that seventeen (17) percent of the surveys from the larger activities showed either no answer or gave replies such as "no limit" or "unlimited" to this question. For those surveys which had no answer at all, there were no further indications that the respondent forgot what their limit is. It was therefore

assumed by the researcher that those respondents who failed to answer the question meant to indicate that they had no monthly limit. These types of answers were on surveys from three separate activities, which indicates that the perception of no ceiling on the monthly purchase limit is not necessarily isolated. There appears to be a serious lack of understanding on the part of cardholders, since all cardholders must have a transaction limit. Referring to the GSA contract, no mention whatsoever is made about unlimited monthly transaction limits. In addition, the requirement for a monthly transaction limit was confirmed by a GSA credit card official, who stated that all cardholders are required to have a limit. [Ref. 15]

A possible reason that these individuals answered as they did is that they are unaware that they have a limit and presumed there was none. Although not a widespread problem, it nevertheless indicates an unfamiliarity with the credit card program. These personnel evidently do not fully understand the control mechanisms placed on the card. This can most likely be attributed to inadequate training of these cardholders.

Smaller activities concentrated their limits in the lower dollar ranges. Of the fifty-two (52) percent that responded in the \$10,000-\$24,999 range, virtually all cardholders stated they had a limit of \$10,000. For the remaining dollar-limit categories, there appeared to be no trend as amounts were distributed throughout the ranges. As with the larger activities, there is little apparent methodology as to how small activity limits are assigned from one command to the next. For example, the responses from two supply personnel at separate locations were analyzed. When comparing them, each has a per transaction limit of \$2500 yet one has a monthly limit that is twice that of the other (\$10,000 versus \$5000). Activity location and the number of recruit personnel processed by each could provide an

explanation for this. Both were Supply Chiefs assigned to Recruiting Offices, however one was attached to the Philadelphia area while the other was located in a smaller city in Kansas. Because of the potential for more personnel to be processed through Philadelphia, the Supply Chief there would have a justifiable need for a higher limit.

i. Question 5.

Do you feel this amount adequately covers the majority of your purchasing needs? Yes/No (If No, please briefly explain why not)

j. Results and Analysis.

Ninety-five (95) percent of the respondents from the large activities answered "yes" to this question. As before, this indicates that the monthly transaction limits assigned to individual cardholders in most cases cover the purchases they are required to make.

Those that answered "no" cited as the primary reason the fact that they deal almost entirely with the purchase of facilities maintenance type equipment and supplies. Of concern to these individuals was the fact that they often have to make purchases on an emergency basis. Depending on the time of year, as well as the extent of the emergency, they stated that they occasionally reach the card's maximum limit two weeks prior to the end of the monthly purchase-limit cycle. As a result, they are forced to rely on other small purchase methods such as BPAs and Purchase Orders in order to satisfy demand.

Twenty (20) percent of the smaller activity cardholders indicated that their monthly limit is too low. These individuals came from three separate activities and all stated that their monthly limit restricts the use of the card. Each made the comment that this is counter to their activity's policy, which is to use the card as much as possible. In these cases, the limit hampers the use of the card but may

have been set to limit purchase authority of all of the activity's cardholders. Further analysis of these particular surveys showed that the assigned amounts may be too low when compared to the level of responsibility of the individual cardholder. All three were supply/logistics personnel charged with obtaining their unit's supplies. In fact, two of these individuals were Supply Chiefs for their respective units. This indicates that officials at some of these smaller activities may not be reviewing their programs for appropriate delegation often enough.

k. Question 6.

Please list the types of services/items you **routinely** purchase with the credit card.

1. Results and Analysis.

This question was asked for two reasons. First, and perhaps most obvious, it was intended to ascertain what types of items were being procured with the credit card. Second, the question was designed to determine if activities were complying with the restrictions imposed by the GSA contract (i.e. no rental/lease of land or buildings, no cash advances, and no telephone services).

Analysis of individual surveys showed that the types of items purchased appeared directly related to the cardholder's organizational function. Nevertheless, the majority of respondents indicated that they used the credit card to procure administrative supplies, in addition to organizational-specific needs. The following list illustrates the wide variety of items that both large and small activities obtain with the credit card.

- Administrative/office supplies
- Books, publications, and authorized periodical subscriptions
- Computer hardware, software, and supplies

- Musical instruments (purchase and repair)
- Photographic equipment and development services
- Construction hardware and supplies
- Heavy equipment rental
- Vehicle repair parts
- Rental cars
- Food, meals, and food service equipment *
- Temporary lodging *
- Conference rooms *
- Telephones *
- Recruiter incentive awards *

* These items were obtained solely by cardholders at Marine Corps Recruiting Offices

The items shown above represent all of the items listed in survey answers. While fairly broad-based, it does not cover all of the potential items that the card could be used for. With the exception of the prohibited items described in Chapter II and any other items that might be covered in activity specific regulations, literally any item that falls within small purchase guidelines can be obtained.

None of these items listed above are prohibited by the GSA contract. This would seem to indicate that cardholders are not using the credit card to make illegal/unauthorized purchases, at least knowingly. However, there is no conclusive way to tell from the surveys if there are individuals that are using the credit card to obtain items specifically prohibited, either by the GSA contract or by local/activity regulations. Discussions with Contracting Officers and program officials provided no evidence that would indicate these unauthorized purchases are in fact being made.

As an interesting side note, several of the respondents from both large and small activities made specific comments about not being able to purchase services. This was expressly prohibited under earlier GSA contracts, but as of April 1, 1994 this restriction was no longer listed in the Limitations portion of the contract guide. This indicates a possible unfamiliarity with the provisions of the new contract, which was awarded on March 4, 1994. [Ref. 10;p. 9]

m. Question 7.

What other methods does your activity use to make small purchases and what are they used for?

n. Results and Analysis.

The first part of this question was intended to determine what other types of small purchase methods were being used in conjunction with the credit card. Results from surveys returned by cardholders at large activities indicate they continue to use BPAs, Purchase Orders and Delivery Orders in addition to the credit card. Cardholders from one activity indicate that they also use Requirements Contracts on a regular basis. Surprisingly, none of the respondents from any of these activities indicated that Imprest Funds are being utilized. Because of this, and in conjunction with results from other questions discussed later in the survey, it appears that the large activities that have implemented the credit card program have eliminated the use of Imprest Funds altogether.

The second part of the question was asked in order to determine what reasons might exist for not using the credit card. Officials at HQMC reported that one of the primary reasons buyers were not using the card was because of the excessive administrative burden associated with credit card purchases. [Ref. 19;17 March 1994] After reviewing the survey results, this was found to be only partially responsible. Many respondents indicated that the increase in paperwork that

resulted from credit card use was in fact a detriment. However, reasons most often cited for using these other small purchase methods, rather than the credit card, are shown below in the priority they were given.

- Purchase of items specifically prohibited by the GSA contract covering the credit card
- Vendor reluctance/failure to accept credit card
- Items not deliverable within 30-day window as required by GSA contract

Small activity procurement personnel reported that they also utilize BPAs, Purchase Orders, and Delivery Orders. As with the large activities, these were used for situations where the credit card was not accepted. Further analysis of individual small activity surveys indicate that these methods were used far less frequently. Most respondents stated they prefer the credit card and only use the other methods when absolutely necessary.

In addition to the other small purchase methods, virtually all of the Marine Corps Recruiting Offices reported that they continue to use Imprest Funds. Most respondents from these activities stated that the use of this method was rare. The most likely reason that these methods are still used would be for situations where items are required immediately and cash is the only suitable procurement method.

o. Question 8.

Does your activity have a standard set of written procedures that must be followed when making a purchase using the credit card? Yes/No

p. Results and Analysis

Ninety-nine (99) percent of the total respondents answered "yes" to this question. The one person that indicated "no" was from a Marine Corps Recruiting Office and stated that he/she knows of no written guidance at all.

Surprisingly, several cardholders from the other offices in the same District mentioned there are written policies for the program, one of which has been published by the Marine Corps Recruiting Command. A possible reason for this answer could be that the individual is unaware of this guidance, although this seems unlikely since training requirements for card use normally include a review of these regulations. Another reason could be that the person may have misunderstood what was being asked.

The response to this question indicates two significant facts about the program. First, it shows that all of the activities that use the credit card are complying with the GSA requirement to maintain published guidelines. Second, and more importantly, it appears that the individual cardholders know that printed guidelines exist. Together, these show that every activity has established rules and procedures that are known to the personnel that use credit cards. Having these procedures, and ensuring cardholders are familiar with them goes a long way towards preventing and eliminating cases of unauthorized credit card use. Though nothing in the responses to this question directly support this, a review of the data presented in Question 6, which describes the types of items purchased with the credit card, is helpful. Analysis of these data shows that only authorized items are being procured with the credit card, although the same caveat still applies.

q. Question 9.

How many of your suppliers accept the credit card?

- a. less than 25%
- b. 25-50%
- c. 50-75%
- d. 75-100%

r. Results and Analysis.

Surveys from nearly three-quarters (71%) of the large activity cardholders indicate that between 75-100% of

the vendors they regularly deal with accept the credit card. Of the remainder, twenty (20) percent of the respondents indicated that between 50-75% accept the card and less than two (2) percent said that fewer than 25% of their merchants were willing to take the card.

For smaller activities, forty-three (43) percent of the respondents stated that 75-100% of the sellers they dealt with accepted the card. Over half of the remainder (fifty-two percent) claimed that 50-75% of their merchants accepted payment for items using the credit card. No one reported that less than 25% of their vendors accepted the I.M.P.A.C.

From these data, it can be seen that the majority of vendors that cardholders deal with accept the card. Therefore, it would seem that purchasing personnel should be able to satisfy the preponderance of their small purchase needs by using the credit card.

s. Question 10.

Do the vendors that you deal with **readily** accept the credit card when making purchases? Yes/No (If No, please explain)

t. Results and Analysis.

In responding to this question, ninety-five (95) percent of the cardholders at large activities said that the merchants they deal with readily accepted the credit card. Several surveys included comments that said vendors prefer that purchases be made with the credit card because they receive payment for the merchandise sooner.

Of the five (5) percent that answered "no", all indicated that it was the smaller vendors that refuse to accept the card. Reasons cited by the respondents varied. For example, two individuals reported that certain vendors they dealt with wouldn't take the card because of problems with approving the use of the credit card. According to these individuals, the banks that the vendors deal with are unable

to access the RMBCS purchase approval system. In other instances, cardholders stated that several vendors do not accept the card because of the usage fee that their banks charge them. Finally, one person said that his/her card was not honored for purchases made over the telephone; the merchant said that the card would only be accepted if the cardholder physically presented it to them.

For smaller activities, ninety (90) percent of the cardholders said that they had experienced no difficulty in getting vendors to take the card. As with the larger activity respondents, several individuals made comments that vendors are more willing to deal with them if they used the credit card. The ten (10) percent of respondents who said merchants were reluctant to take the card cited as the predominate reason the usage fee charged to the merchant. Because of the small size of their sales, these merchants do not consider the card as an economical business tool, according to the surveys. In fact, one cardholder said that he/she was told by a merchant "that it would cost them \$20-\$50 each time they used the card and it isn't worth it."

u. Question 11.

What criteria are used to determine which items will be purchased using a credit card (e.g. urgency of need, type of item, price)?

v. Results and Analysis.

The predominate response given by cardholders at large activities was that they most often use the credit card based on the urgency of need. Seventy-one (71) percent of the respondents cited this as the most often used criterion. The next most common reasons that were given were the type of item, the need to procure unique items that are unavailable through the normal supply system, and individual activity policies that stipulate the card will be used for small purchase actions whenever possible. The majority of these

responses came from those non-contracting office activities which have been delegated credit card authority. Each of these accounted for approximately nine (9) percent of individual survey responses. Finally, the remaining two (2) percent represented a variety of other reasons, including the purchase of items that are not covered by a contract and when items cannot be procured using purchase orders.

Sixty-two (62) percent of the cardholders at smaller activities replied that their criterion was to use the credit card whenever possible. The next most prevalent response was the urgency of need which accounted for twenty-five (25) percent of the replies. The remaining thirteen (13) percent indicated a variety of criteria for using the card: price of the item, location of the vendor and the associated delivery time, and the availability of the item from the supply system.

From the responses provided, the majority of individuals at larger activities appear to base the use of the credit card on the urgency of need. Statements and comments included on returned surveys indicate that cardholders are using the credit card more often than not to obtain items when the delays associated with traditional purchasing methods are not acceptable. This could imply that they consider the credit card a more expeditious method of obtaining necessary items when timing is critical. Interestingly, not a single respondent indicated whether ease of use might affect the decision to use the card. Therefore, an assumption can be made that cardholders prefer the card primarily because of the speed with which they can satisfy customer needs. This seems even more plausible with the current emphasis throughout the DOD on customer satisfaction.

On the other hand, the smaller activities seem to have a different focus on when to use the card. The majority of replies, which said to use it whenever possible, indicate that the use of the credit card for all small purchase actions

was more the norm. The reason for this may be the fact that the smaller activities have fewer needs and many may not have immediate access to the normal supply system (because of their remote locations). This is especially true of some of the more remote Recruiting Stations. Also, survey replies indicate that many of these activities do not have resident, trained contracting personnel. Consequently, they report that setting up and maintaining the more traditional small purchase methods (BOAs and BPAs) can be difficult and more importantly, too time consuming.

w. Question 12.

How much time do **you** spend (on average) making individual purchases with the credit card?

- a. less than 5 minutes
- b. 5-10 minutes
- c. 10-15 minutes
- d. over 15 minutes; how much

x. Results and Analysis.

Thirty-seven (37) percent of the individuals that responded from the large activities indicated that each credit card purchase took 5-10 minutes. Thirty-one (31) percent stated it took 10-15 minutes, eighteen (18) percent said they spent less than 5 minutes and fourteen (14) percent said they spent over 15 minutes. For the last individuals, the majority claimed each purchase took about 30 minutes.

For smaller activities, the largest group (40%) spent 10-15 minutes on each purchase. Twenty-seven (27) percent claimed that they spent less than 5 minutes. The same number stated that credit card purchases took 5-10 minutes. Finally, six (6) percent said that they spent greater than 15 minutes per purchase, with most in this group reporting that their purchases take about 30 minutes.

It appears that for both the large and small activities, the majority of credit card purchases take between

5 and 15 minutes. This would indicate that making purchases with the credit card is a relatively easy task that can be accomplished in a short period of time. Despite the fact that some respondents reported longer time requirements, there are some possible reasons for this. They might be unfamiliar with the process or more likely, activity regulations and/or procedures could impose additional time constraints. Reviewing purchase documents for completeness, placing phone calls to obtain competitive price quotes and completing necessary tracking documentation are examples of this. Regardless, since the proportion of these individuals is small when compared to the rest, it would seem that, at least from a time perspective, the credit card is a quick and efficient way to purchase an item.

y. Question 13.

During a normal month, how much total time do **you** spend making small purchases with a credit card? This includes time spent on the telephone or face-to-face dealing directly with vendors concerning purchases.

- a. less than 5 hours/month
- b. 5-10 hours/month
- c. 10-15 hours/month
- d. over 15 hours; how much?

z. Results and Analysis.

Thirty-four (34) percent of the large activity respondents stated that they spent less than 5 hours/month making credit card purchases. Twenty (20) percent reported that they averaged 5-10 hours, fifteen (15) percent answered 10-15 hours, and thirty-one (31) percent said they spent over 15 hours/month.

From these numbers, it can be seen that for large activities, fifty-four (54) percent of the cardholders spend less than 10 hours per month making small purchases with a credit card. This can mean one of two things; the credit card

requires less time to make individual small purchases or the card is not necessarily the preferred method of making small purchases. Assuming that the average cardholder works 40 hours per week, this same individual would work approximately 160 hours per month. Using the 10 hour/month figure reported by the majority of cardholders, it would appear that individuals using credit cards at these particular activities spend just six (6) percent of their time making purchases with it. This seemingly low utilization rate compares with information provided by the DOD Comptroller Office. An excerpt from a report issued provided to HQMC in August, 1994 indicated that for FY 1993, credit card sales represented just 6.1% of the total DOD small purchase actions. [Ref. 18;p.2] This number was derived from the actual number of credit card purchases, while the researcher's value represents cardholder utilization, so the two cannot be directly linked. However, the relatively low ratios that each represents can be compared and would seem to indicate that credit card use in the Marine Corps is in line with the rest of the DOD.

When examining these results in concert with the data from other survey questions, it would seem that for larger Marine Corps activities, cardholders are not using the credit card to satisfy the majority of their needs.

The same does not appear to be true for the smaller activities. Nearly forty (40) percent of the small activities answered that they spent less than 5 hours/month while twenty (20) percent said they spent 5-10 hours/month. Thirteen (13) percent stated that they spent 10-15 hours/month and twenty-seven (27) - percent claimed they spent more than 15 hours/month. When examining the sixty (60) percent that say they spend less than 10 hours or less per month on purchases, it must be remembered that these activities are primarily Recruiting Offices. By nature, they are small sized units which have far fewer purchasing requirements than larger

activities. Further analysis of individual responses shows that the credit card was the preferred small purchase method by these activities. Consequently, in this case the small number of hours reported would appear to indicate that card utilization means less overall time spent making purchases.

aa. Question 14.

Other than making purchases, how much time do **you** spend during a normal month on other credit card related activities, such as statement reconciliation, problems/disputes, etc.? Circle one.

- a. less than 3 hours/month
- b. 3-5 hours/month
- c. 5-10 hours/month
- d. over 10 hours; how much?

bb. Results and Analysis.

Forty-seven (47) percent of the large activity surveys indicated that cardholders spend less than 3 hours/month on tasks related to non-purchasing matters. Twenty-three (23) percent said they spend 3-5 hours/month, sixteen (16) spend 5-10 hours/month and fourteen (14) percent spend more than 10 hours/month.

For small activities, the vast majority of respondents (92%) say that they spend less than 3 hours/month. Five (5) percent each stated that they spend either 3-5 hours/month or 5-10 hours/month. None reported that they spend more than 10 hours/month.

As with the previous question, the responses for both size activities are similar. The data indicate that most of the cardholders in the Marine Corps spend no more than five hours each month on credit card matters that are not related to purchases. Those individuals that reported it takes them more than 10 hours/month were from activities that have not decentralized the use of the credit card. Written responses

to selection "d" ranged from as low as 15 hours each month to "days".

The task that most likely requires cardholders to expend this time is the monthly reconciliation process. This process, as described in Chapter II, can be very time consuming, especially if the card is used a great deal. The most obvious reason for the variations in the amount of time spent on this task can be directly attributed to the way in which the particular activity manages the credit card program. For those large activities that have only a few cardholders, the amount of time they would need to spend on this process is expectedly higher. Because of their limited numbers, each of these individuals would be required to handle more customers. Therefore, at the end of the billing cycle, there would be more purchases for them to check and verify. As a result, time spent on reconciliation would be greater.

The converse is true for those large commands that have decentralized the issue of credit cards. For these activities, the increased number of cardholders should reduce the overall time spent on purchases. This is because more cardholders would result in the workload being spread out more evenly. Consequently, each most likely has fewer numbers of purchases to make and are therefore able to spend less time on the reconciliation process.

A similar argument can be made to support the result from small activities. Because of their size and mission, there are most likely fewer purchases per month that must be made. Each buyer that has a credit card therefore has less demand placed on him/her. This in turn leads to less time spent reconciling the monthly statement. Additional cardholders at these commands would further reduce the time requirements for this task.

2. Individual Assessment of the Credit Card Program Data Results and Analysis

a. Question 1.

Do **you** feel that the instructions provided by your activity concerning the use of the credit card are adequate? Yes/No (If No, please explain)

b. Results and Analysis.

In answering this question, ninety-four (94) percent of the respondents from the large activities answered "yes". The six (6) percent that said "no" were from various locations and though they gave different answers, the underlying reason seems to be similar for each. For a variety of reasons, these respondents felt that their activity's regulations are not "user friendly". For instance, cardholders at one contracting office stated that the instructions that they are required to use are too tedious and difficult to work with. At another installation where the credit card program has been decentralized, an individual from an external activity claimed that the instructions he/she uses are vague and inadequate, providing nothing more than an overview of the program. This person went on to say that as a result, he/she had to find out how the program worked by trial and error, or in their words by "hands-on training." Cardholders at a third location expressed a similar complaint, saying that their instructions were lacking in definition and guidance.

From the smaller activities, only a single respondent claimed that the instructions at his/her location were inadequate. This was the same person who claimed that there was no written guidance at all for his/her command in answering Question 8 in the first part of the survey.

The responses seem to indicate that the vast majority of cardholders feel that their activity's instructions are adequate. However, the fact that several individuals from various commands provided answers to the

contrary demonstrates that there may be a USMC wide problem with the manner in which activity instruction manuals are written. This problem, albeit a small one, has severe potential implications, since these instructions provide the guidance for cardholders on how they shall make purchases with the card.

A possible reason for these responses may stem from a lack of comprehensive guidance that was available to the individuals initially responsible for preparing the manual. Along similar lines, the problem may be due to the failure of those same individuals to seek out the necessary resources needed to establish the manuals. In the past, HQMC had no published guidance on the program so they provided a copy of the Camp Lejeune procedures to prospective cardholders. Although these instructions were suitable for larger activities that intended to have decentralized programs, they might not have provided sufficient guidance to commands that intended to keep closer control of credit card usage. Nevertheless, RMBCS and GSA provided material to the card administrator that defined what was required of an activity's instruction manual. Furthermore, GSA now provides an in-depth set of sample procedures that agencies may use to assist them in writing their own regulations. This should greatly reduce problems with instructions since they provide generic direction that all activities can use.

The problem could also be partly attributed to HQMC, since they are responsible for approving an activity's instruction manual prior to their implementing the program. However, HQMC personnel are concerned primarily that each submission complies with applicable regulations and not necessarily for ease of use. [Ref. 19;17 March 1994] It would be logical to assume that an activity would send a set of guidelines that they feel best meets their needs. Since HQMC cannot be expected to know the intricacies of every activity's

program, it would be reasonable for them to merely check each to ensure it complies with established rules and regulations. Therefore the problem of vagueness and inadequacy is plainly the concern of the individual activity.

c. Question 2.

Do **you** believe the card has **hindered** the small purchase process at your activity? (Please explain, including specific drawbacks.)

d. Results and Analysis.

In examining the results from the large commands, eighty-four (84) percent of the respondents said that they felt the credit card has not hindered the small purchase process at their activity. The sixteen (16) percent that answered "yes" listed a variety of reasons why they felt the program was not working. Interestingly, every large organization had at least one individual that expressed disfavor with the program, regardless of the level of credit card centralization.

The negative comments and drawbacks that were provided were both insightful and for the most part appeared to be well thought out. Occasionally an individual simply answered "yes" and provided no further comments, however most of the surveys contained remarks about what the individual disliked about the program. Reasons for displeasure varied; many claimed that the other, more traditional small purchase methods were easier to perform, at least from paperwork requirements standpoint. Others stated that the card actually restricts the number of smaller vendors they can use. As mentioned earlier, some small businesses refuse to use the credit card because of the administrative fee their bank is charging them. Consequently, buyers at commands that are trying to emphasize the use of the card have fewer merchants to choose from. The elimination of Imprest Funds was also mentioned in several instances. For example, one buyer stated

that he/she felt quite uncomfortable not having the ability to use cash when a merchant wouldn't accept the credit card or other small purchase methods. This individual further stated that the implementation of the credit card program was responsible for the termination of Imprest Fund use at his/her command. In addition, this person claimed that removing this tool severely hampered his/her ability to make small purchases.

Of particular interest was that every "yes" survey, as well as several of the "no" replies, contained at least a passing comment concerning the increased administrative burden placed on the cardholder. Respondents stated that the monthly reconciliation process was especially burdensome and that in many cases outweighed any positive benefits the credit card might provide. Another stated that although the credit card improves the initial buying process and reduces PALT, the reconciliation process offsets whatever gains the card provided. Several cardholders stated that they were required to keep the same amount of records for their credit card buys as for other small purchase methods. Their claim was that with the need for an involved monthly reconciliation process, using the credit card actually required them to do more work. Finally, one person claimed that the amount of paperwork they have to deal with when tracking credit card purchases has tripled. This particular individual attributed this to the documentation requirements of his/her activity as well as the lack of computer-aided assistance available to them.

The majority of the respondents that answered "yes" were from activities that have decided not to decentralize the use of the card. A reluctance to allow non-purchasing office personnel to use the card is most likely the major underlying problem. Because the number of cardholders are kept to a minimum at these activities, large numbers of purchases made with the credit card will result in a heavy administrative

burden on the buyer at the end of the billing cycle. If the activity has only one or two approving officials, the process will take even more time.

Not a single response from any of the smaller activities indicated that the credit card has hampered their ability to obtain small purchase items. One cardholder did mention that in the past, almost all of the vendors he/she dealt with on a regular basis used cash as a payment method. Since his/her activity has done away with Imprest Funds, this individual stated that they were required to seek out new vendors who would accept the card. This presented some short term difficulties but the individual indicated that they were able to find adequate replacement vendors.

e. Question 3.

Do **you** feel that the card has **improved** the small purchase process at your activity? (Please explain, including specific benefits)

f. Results and Analysis.

As might be expected, the same eighty-four (84) percent of survey respondents that answered "no" to the previous question indicated that the credit card has improved the procurement of small purchase items. The most frequently cited responses were that cardholders were experiencing a reduction in up-front paperwork and that the overall small purchase process was much quicker when the card was used. Others said that they could make more purchases using the credit card. Buyers said that they preferred not having to fill out various copies of different forms, which is often required when using other purchase methods. Specifically, many cited this as the primary reason that slowed the process of making purchases with the other methods.

Many commented that the program has improved vendor-buyer relationships. They stated that this is a result of the credit card program allowing the vendor to receive quicker

payment. One cardholder even stated that some of his/her vendors were willing to "go out on a limb" if the buyer stated he/she was using the credit card. The reason for this, according to this individual, was that the merchants knew they would get paid sooner and were therefore willing to provide the extra bit of effort. Although no further indications were given as to the meaning of this, the researcher surmises that the cardholder meant that the vendors were perhaps willing to give the cardholder higher priority service. Other buyers said it increased their small purchase options by providing them with another method by which to make small purchases.

A few mentioned that it enables them to obtain items from sources other than the normal supply system. These responses came from cardholders at activities that have delegated the use of the credit card, and could indicate a potential problem. Several people stated that they often use the credit card to obtain items that "take too long to receive through the system." If these individuals are using the credit card simply because they do not want to wait for the system to fill routine requirements, they may be violating the law. FAR Part 8 requires, and the GSA Credit Card Guide reiterates, that agencies "shall satisfy requirements for supplies and services from sources ... described in 41 CFR 101-26.107." Therefore, using the credit card to circumvent the normal supply system for routine items would appear to be a violation of this statute.

Several buyers cited as a benefit the fact that using the card eliminates the need to go through a contracting office buyer. This can have both positive and negative impacts. On the one hand, the reduced workload on contracting office personnel allows them to spend more time on other, perhaps more important tasks. The downside to this, however, is that circumventing the contracting office may allow these individuals to avoid locally mandated sources or worse, may

allow them to bypass FAR requirements to rotate vendors.

As mentioned in the previous question, none of the small activity cardholders felt that the program has hindered the process. All cited the reduced paperwork requirements as well as the ability to obtain necessary items in a more timely manner as positive results of the program. In addition, several commented on the fact that it gives them another method by which they can satisfy their small purchases requirements. A few also mentioned that it makes paying their bills much easier, saving them even more time.

Several negative comments were made concerning the elimination of Imprest Funds as a result of the program. On the other hand, a similar number of individuals stated that they felt the elimination of this method was good because it removed the chance of misusing cash. A few buyers said that they felt there was no less paperwork when using the card, but analyzing other surveys from other individuals at the same activity seemed to counter this.

g. Question 4.

How does making small purchases with the credit card compare with the use of Imprest Funds, BPAs, SF-44s, and purchase orders?

h. Results and Analysis.

Eighty-five (85) percent of the total respondents from the large activities indicated that they felt the credit card was a much easier way to make small purchases. Eleven (11) percent felt that the card was either no better or worse than the other methods or was in fact harder to use. Finally, four (4) percent of the surveys were left blank. The results of these data can be interpreted to indicate that the predominate attitude amongst cardholders is that making small purchases with the credit card was preferable to the other methods. Many buyers stated that the credit card was a much more efficient method to make small purchases. For example,

one individual stated that his/her office accepts faxed copies of their customer's request for materials. After ensuring the completeness of the form, this person makes the necessary purchases by phone and can have the items delivered to the customer "in 60 minutes or better." Many indicated that using the card is better because of the reduced documentation requirements necessary for making purchases, such as certifying invoices, completing purchase order forms and sending them to the vendor. Several also stated that because the vendors are paid quicker, their customers are receiving the purchased items sooner. Finally, several buyers stated that the number of vendors that they are able to use has increased as a result of the credit card program. They said that since no previous arrangements are required to be in place and because of the large number of merchants that accept the card, they are better able to satisfy their customer's needs.

Those individuals that said they felt the credit card was no better than the other small purchase methods most often cited the after-purchase paperwork requirements as the program's chief problem. The most common complaint was that the up-front time savings that using the card allows are more than off-set by the amount of work necessary to reconcile the monthly statement. It would seem logical to expect buyers from those activities that have few cardholders to make this assertion. This would be a result of the potentially higher demand placed on a limited number of individuals. Curiously, however, this response came from cardholders from both types of activities. Analyzing answers from the individuals at the decentralized activities shows two principal responses. First, some expressed their displeasure at having to wait until the end of the billing cycle in order to complete the work associated with this purchase method. Second, others cited their activity's administrative procedures and the lack

of computerized data processing equipment as the reason they saw no difference.

One hundred (100) percent of the respondents from the smaller activities provided positive responses to this question. The largest number of buyers indicated they preferred the card because of the ease of use. Some stated that they enjoyed the fact that they were able to conduct the entire transaction without having to leave their work space. Others said that the reduction in the routine paperwork required by the other methods was a tremendous benefit. Several personnel cited the fact that since the card has eliminated the use of Imprest Funds, their activity no longer is required to undertake the tedious process of accounting for and constantly replenishing this cash account.

i. Question 5.

Do **you** feel that the credit card program is saving your activity time and money? Please explain briefly.

j. Results and Analysis.

Eighty-two (82) percent of the large activity cardholders said they felt the credit card program saved them either time or money or both. Fifteen (15) percent stated that they did not believe that their activity benefitted, in either way, from the use of the card. Three (3) percent failed to respond to this question.

As with the previous question, all the respondents from small activities answered this question. Ninety (90) percent responded favorably while ten (10) percent said they felt that credit card was no better than the other methods.

In analyzing this question, the responses from both large and small activities were very similar. The vast majority of the buyers from both activities felt that if nothing else, the use of the card saved them time. Perhaps the most often cited reason for this was the reduced up-front paperwork requirements associated with credit card purchases.

These individuals said that by not having to fill out several copies of various forms that other methods require allows them to accomplish more during their normal working hours.

Although most of the respondents did not mention this connection, a few noted that this reduction in paperwork can also be translated into dollar savings in at least two ways. First, there is the reduced need for paperwork that results from card usage. Not having to generate and distribute several copies of the same document to various sources (which are required by other methods such as with purchase orders and delivery orders) saves money by reducing material costs. Additionally, postage fees are less with the credit card since the funds used for reimbursement can be electronically transferred rather than mailed. Second, the reduction in work hours required to type up and deliver these documents can be also be viewed in terms of dollar savings. Several respondents stated that the ease of using the card allows them to reduce the amount of time they spend making small purchases. They further said that they are able to put this time to better use performing other purchasing functions.

Several individuals mentioned that they are able to save money with the credit card because of "quick-pay" discounts that their vendors offered. Since merchants often provided discounts for early payment, it can be assumed that this is what the cardholders are referring to. This is a savings that buyers, especially those with non-procurement backgrounds, may not have been familiar with in the past. This is due to the fact that using the other small purchase methods results in slower payment times.

The cardholders that replied the credit card was no better than the other methods routinely mentioned the lengthy end of cycle reconciliation process. All of them claimed that this particular evolution outweighs the other benefits the card provides. Some also said that the use of the credit card

actually created more paperwork than the use of BPAs at their activities. These were typically from commands which apparently do not have adequate computer-aided data management systems to assist them with their credit card purchases. In fact, one respondent specifically stated "no" and followed up by saying "... takes too much time to key in to computer."

k. Question 6.

What steps do **you** feel could be implemented to improve the credit card program at **your activity**?

1. Results and Analysis.

Just over half of the survey respondents (51%) from the larger activities provided a written response that contained some type of recommendation. The remainder (49%) either left this question blank or said the program was fine the way it is. One individual stated that the credit card program should be cancelled. This particular cardholder made no other comments, but in reviewing the answers he/she provided to the other survey questions, it became apparent that this individual does not consider the credit card to be a useful procurement tool.

In analyzing all of the varied responses to this question, two specific areas were mentioned by the majority of personnel as needing improvement. The most common of these, which was found in responses from virtually every activity, addressed the need to improve the administrative procedures involved with the monthly reconciliation process. Comments such as "find an easier way to program data into computer" and "implement some type of computer program to assist in reconciliation" best describe the majority of these suggestions. Further analysis of survey responses indicates that the problem addressed here centers not just on the availability of hardware but on software as well. It appears that most of the large activities have only limited, if any, access to automated data processing equipment to assist them

with the credit card program. Furthermore, for those few that have adequate hardware available, the software that is available is either too tedious to use or does not allow data to be manipulated in a manner that aids the cardholder. The lack of both of these seem to slow down the after-purchase process, which ultimately inhibits credit card use. Several cardholders from various commands indicated that they would be inclined to use the card more often if there was an easier way to accomplish the reconciliation process.

Another recommendation that was made by many of the respondents from a number of activities was the need for improved training. This includes not only better training aides and materials but also more time spent training everyone involved with the credit card program. Several people noted that the job of training and coordination was a collateral job at their command. Further, because of the responsible individual's workload, continual training on the use of the credit card was often not accomplished. In at least one instance, this has had some rather serious repercussions. One individual stated that his/her command was threatened with a revocation of credit card privileges because of improper use that resulted from inadequate training of cardholders.

The remaining survey responses were varied and for the most part appeared to concern suggestions that would improve the program at a particular activity. These included such suggestions as allowing more people to use the card, removing locally imposed restrictions on when the card may be used, and broadening the scope of items that may be purchased with the card.

Recommendations from several respondents also included the need for improved, "user-friendly" credit card program documentation. Despite the fact that nearly all of the respondents said their activity has adequate published procedures, several cardholders indicated that an easy-to-use,

desktop reference covering the high points of the credit card process would be extremely useful.

Forty-nine (49) percent of the responses from the smaller activities made mention of some way the program could be improved while fifty-one (51) percent either made no comment or said that it was adequate as is. The predominate recommendation made by small activity respondents was to increase individual cardholder's monthly purchase limits. Several comments were made that said card usage was severely limited because the cardholders reached their monthly limit after only two or three purchases. The subject of training also was mentioned by a few of the small activity respondents. Several of these individuals indicated that a more user-oriented guide to credit card procedures would be useful.

m. Additional Comments.

Please feel free to make any additional comments concerning the use of credit cards to make small purchases at your activity on the back.

n. Results and Analysis.

Only three (3) of the respondents from the total survey population took the opportunity to write additional comments. One was from a cardholder at a large activity and the others were from small commands. The most probable reason for this is that the previous question was too broadly based. Cardholders may have felt that since they provided recommendations (or the lack thereof) in answering the prior question, there was no need to provide further remarks.

Nevertheless, the comments provided were pertinent to the research. One of the comments made came from a cardholder at a large activity that has decided not to decentralize the use of the card. This individual stated that he/she felt that there is a tremendous opportunity for misuse of the credit card. This person made no further indication as to whether they were referring to the control procedures at

their particular activity or with regards to the entire program. He/she did mention the fact that one of his/her customers asked that he make a purchase from a specific vendor, who happened to be a friend of the customer. The cardholder indicated that only because of his additional training as a Purchasing Agent did he know that this was unethical. This is certainly a valid concern, especially for commands that have personnel using the credit card that are not thoroughly trained in the procurement field. One solution to this is improved training of all personnel, but with particular emphasis on non-procurement personnel.

The other comments were from cardholders at separate Recruiting Stations. One indicated that the credit card should become the primary means of making small purchases at these type of small activities. He/she indicated that because of reduced requirements for contracting authority at their level, the credit card could satisfy all of the purchase needs for these units. He/she did mention that a token Imprest Fund of \$250-\$500 should be maintained, but this would be for emergency purposes only. This would seem a worthwhile idea for the small activities, especially given the small number of items they purchase in addition to the limited number of procurement personnel that are on hand at each location. Nevertheless, these activities should also retain the ability to use the other small purchase methods for merchants that do not accept credit cards.

The second individual took this opportunity to reiterate his/her pleasure with the card. This cardholder said that the credit card has greatly increased the ability of personnel at remote activities to obtain small purchase items. His/her recommendation was that all Recruiting Stations should use the credit card, since it gives the individual Marine increased purchase authority, which allows them to better perform their mission.

3. Cardholder Survey Summary

In general, the results of the surveys indicate that the Marine Corps' implementation of the credit card program has been a success. Responses show that the vast majority of cardholders throughout the Marine Corps are satisfied with the credit card. Although several personnel expressed disfavor with the card, most users agreed that it allows them to better satisfy their customers' needs, especially in times of urgency.

The survey showed that the largest number of the cardholders are either trained procurement personnel (Contract Specialists, Purchasing Agents, etc.) or supply/logistics personnel. This would indicate that Contracting Officers prefer to keep the card in the hands of personnel who are familiar with the intricacies of obtaining goods and services for the Government. The most obvious reason for this is to ensure the card is properly utilized by purchasing personnel. However, in doing so program officials are restricting the number of cardholders and consequently bypassing one of the intended benefits of the card, which is reduced workloads. The fewer the number of small purchase personnel with cards means more work is required of them; increasing these numbers would result in the reduction of individual workloads.

While program implementation at the smaller commands is nearly identical, it varies significantly amongst the larger organizations. Some of the larger organizations have opted to decentralize the card while others limit its use to the local buying office only. Levels of decentralization also vary between these commands. Some limit the issuance of cards only to supply/logistics operations while others disperse the card to any activity that has a legitimate need. This is most likely attributed to the differences in missions of larger activities. In addition, the attitudes of individual Contracting Officers towards the use of the credit card,

especially in the area of delegation, certainly must be considered.

The data show that most cardholders feel they have adequate purchase authority with the card and that they are able to satisfy most of their small purchase requirements. Respondents indicated that most of the goods they purchased are activity-specific covering a wide range of items. In addition to these, cardholders from virtually every command said that administrative supplies were also on their list of items most often bought with the credit card.

Credit card use has had differing affects on the use of the more traditional methods of making small purchases. For the larger activities, it appears that the card has not significantly reduced purchasing personnel's reliance on these methods. The majority of buyers stated that the principal criterion for card use was based on the urgency of need; if an item is not required immediately, most indicated that they continue to use BPAs, Purchase Orders, and Delivery Orders in order to satisfy their requirements. On the other hand, small activities indicate that they do as much business with the credit card as possible. Buyers at these activities indicated that they find the card easy to use, expeditious, and prefer it to all other methods, including the use of Imprest Funds.

Despite the predominately favorable response to the program, buyers routinely cited two major problems with the credit card program. First and foremost is the lack of electronic data processing equipment to assist in administering the program. Cardholders throughout the Marine Corps expressed displeasure with the lack of computerization, especially in the area of reconciliation. Several activities have rudimentary systems that were developed locally, but these are often not compatible outside the individual unit. Second, and of equal importance, the need for continuous and improved training was mentioned by many cardholders. Comments

and complaints about the program from various respondents indicate a basic lack of understanding of how the program works and the regulations that apply.

C. SUMMARY

This chapter presented and analyzed the results obtained from the written surveys provided to cardholders at activities throughout the Marine Corps. The research showed that the preponderance of individuals at smaller activities are pleased with the credit card program, particularly the additional purchasing options the credit card provides them. Buyers at these activities seem to have embraced the card and most indicated they prefer it to the other small purchase methods.

The opposite is true at larger commands where despite noted benefits, the card has not replaced the reliance on other small purchase procurement methods. In fact, in most cases, it has not had even a significant influence on their use. For these activities, it would appear that the credit card is viewed as simply another tool cardholders can use to perform their mission.

Chapter IV will describe and discuss various benefits and drawbacks that credit card officials have encountered.

IV. TELEPHONE INTERVIEWS RESULTS

This chapter will present material obtained from telephone interviews with contracting officers, approving officials and individual activity program administrators, as well as personnel involved with the program at HQMC (Code LBO). It is divided into three sections, the first of which provides a brief description of the rationale and methodology used to obtain information. In the next section, the data acquired from interviewed personnel will be presented in a topic-discussion format. Because of the scope of this thesis, the focus here will be on the major benefits and drawbacks that have been experienced by the majority of the credit card officials throughout the Marine Corps. Relevant topics will be introduced individually and within each will be a discussion of the particular parameters as described by the individuals concerned. Included with this discussion will be an analysis of how this particular topic impacts the credit card program, small purchase procedures, or both. Finally, a summary section describing the net affects these have had on the procurement of small purchase items in the Marine Corps will be provided.

A. INTERVIEW METHODOLOGY

The written survey in Chapter III was used to identify how personnel that routinely make small purchases feel the credit card has affected their jobs. To determine what macro-level influences the I.M.P.A.C. has had on Marine Corps activities in general, it was necessary to ask management-level personnel to address salient points concerning the program. In order to accomplish this, telephone interviews were conducted with management personnel at those same activities that received written surveys.

In an attempt to obtain comparable information from each activity, and to allow each person the chance to formulate

honest, in-depth answers, a list of prospective questions was included with the written survey package sent to each activity. Prior to mailing the package, the researcher contacted each official and described how the telephone interviews would be conducted and what type of information was being sought. The researcher further explained that the questions provided were to be used as a guide in conducting interviews, but emphasized that individuals were free to discuss any pertinent subjects. In other words, the question bank was intended to serve as a starting point and was by no means meant to limit the focus of each interview. Personnel were then given approximately two to three weeks to consider the questions prior to being contacted.

During the conduct of the interviews, officials were again reminded to address primarily those areas of the program which they felt have had the most significant impact on small purchase procurement at their activity. If they were unable to think of a specific area of importance (either positive or negative), then the researcher would begin by asking the questions sent with the surveys. With rare exception, all personnel were thoroughly prepared and the majority had several topics they wished to address. Consequently, most officials were not asked to reply to each of the questions sent. Additionally, the majority chose to discuss only those areas in which they are experiencing a particular problem.

A list of the questions provided to each official is included in Appendix C.

B. INTERVIEW DATA RESPONSES

- 1. Topic:** Official USMC Policy Concerning I.M.P.A.C.
- 2. Discussion:** As was mentioned in Chapter I, the credit card is currently being utilized by a wide variety of Marine Corps field activities as well as the Marine Corps Recruiting Command. Despite this fact, there are no

officially published goals or objectives (i.e. a Marine Corps Order (MCO)) concerning the Marine Corps' program. [Ref. 14]

As might be expected, attitudes amongst officials varied concerning the need for formal HQMC guidance concerning the use of the credit card. Nevertheless, all of the officials interviewed said that a lack of official, published guidance has had, in one way or another, a negative affect on the successful implementation of the program. For example, one credit card official at a large activity described his frustration at decentralizing the use of the card. He stated that the absence of a Marine Corps directive that addresses the issue of credit cards has prevented his contracting office from optimizing the use of the card. Recently, an external activity for which his office routinely performs a large number of small purchase actions contacted him about establishing a credit card program. The requesting unit was told they would have to come up with their own set of internal procedures and were further instructed to use the existing base contracting office guidelines as an example. When they asked what MCO should be referenced, they were told that one did not exist. Subsequently, this unit decided that they would not proceed any further without official guidance from HQMC. [Ref. 4]

Several officials stated that the lack of a MCO prevents activities from knowing what HQMC expects of their program. One person said that not knowing specifically what the Marine Corps desires, especially from those activities that are just implementing the program, is especially troublesome. [Ref. 13] The primary reason for this lack of policy and goals appears to center on deficiencies in Federal regulations. There is no mention in the FAR or DFARS concerning the use of the credit card as either a small purchase procurement tool or payment method. Furthermore, there is no published Department of the Navy (DON) guidance in existence and the Assistant Secretary

of the Navy, Research, Development and Acquisition (ASN/RD&A) has directed that none will be provided until the FAR/DFARS cover the topic. In addition, ASN/RD&A has directed that no DON components will publish official guidelines until Federal regulations adequately address the issue. [Ref. 14]

A possible reason for this could be a concern over issuing a DON directive without a central Federal guidance to reference. The concern here would center on the possibility of issuing guidelines that conflict with those promulgated by other Federal agencies. This would seriously undermine the current efforts by the Government to present a single face to industry. Another problem may be that even though the GSA Contract Guide provides explanations and direction on program implementation and utilization, it is not a legal policy directive. Consequently there may be some apprehension about publishing a DON-wide directive for which no legal document can be cited. Without this legal support, it would be difficult to make certain policies concerning the use of the card mandatory. This concept is reinforced by the comments of one procurement official at HQMC. He reiterated that without guidance being provided in the major acquisition regulations, agencies have no legal source to direct them in providing guidance to subordinate activities. [Ref. 14]

Despite the fact that the DON has yet to publish official guidelines concerning the use of the credit card, there is a draft instruction that is currently awaiting approval. Titled Governmentwide Commercial Credit Card Program (NAVSUPINST 4200.91), this document establishes mandatory procedures, responsibilities and DON-wide guidance concerning the use of the I.M.P.A.C. [Ref. 9] Further research indicates that both the Air Force and the Army have official guidance in existence that covers the credit card program. The Department of the Air Force, recognizing the lack of regulatory material concerning the card, has provided official policy guidance to

its officials and cardholders. This direction is specifically intended to elaborate on those issues concerning the program that the FAR/DFARS do not address. The document used is titled Air Force Internal Procedures for Using the I.M.P.A.C. and is dated 31 May 1991. This policy, which is currently under revision, details how to implement the program, assigns specific responsibilities for both procurement and financial personnel, and provides model procedures for card utilization. [Ref. 22] The Department of the Army has gone one step further. They have addressed the issue of the card by publishing credit card procedures in the Army Federal Acquisition Regulation Supplement (AFARS). This document covers a variety of topics, including mandatory training requirements and Army-specific credit card regulations. [Ref. 26]

In light of these factors, HQMC has provided some tentative goals and objectives for the credit card program. According to a program official at HQMC, use of the credit card is intended to: [Ref. 19;22 July 1994]

- Simplify and improve procurement operations for items below the small purchase threshold
- Improve cash control for contracting/procurement activities
- Improve small purchase management controls for contracting/ procurement activities
- Reduce the administrative burden associated with small purchase actions

In order to accomplish these, the Marine Corps has adopted an official policy regarding program implementation, although it is not yet in a published regulation. It states that **any** activity, which is able to demonstrate a valid and legitimate need, may request that they be allowed to implement the program. [Ref. 19;22 July 1994] To do this, an activity

must first submit a letter to HQMC (Code LBO) requesting approval for program start-up. In this letter, the activity must provide a narrative which explains what benefits will be obtained and how many credit cards the activity expects to issue. Once authorization is granted, the activity must then prepare a BankCard Instruction Manual that identifies internal procedures for use. Because the Marine Corps is not currently able to provide official guidance on this subject (i.e. a Marine Corps Order), prospective activities are provided a copy of the BankCard Instruction Manual that Camp Lejeune uses. The activity may then use this as a guide, making whatever changes it deems appropriate for its situation. When complete, the manual must be submitted to HQMC for approval. [Ref. 14]

After approving the activity's manual, HQMC will authorize the requesting activity to proceed with the program, under the following restrictions: [Ref. 19;22 July 1994]

- Credit cards will be issued only to the activity's contracting/purchasing personnel (for a trial period of one year)
- Credit card per transaction limits will not exceed \$2,500
- Status reports concerning the use of the credit card must be submitted so that HQMC may ascertain how the activity is doing during this period.

At the end of the trial period, the activity must submit to HQMC a Bankcard Evaluation Report, along with a request for final determination and permanent utilization of credit card services. The date for this will be one year after the activity submits its delivery order to RMBCS. When HQMC determines that the activity has successfully completed its trial period, use of the credit card may be expanded as the HCA sees fit. However, utilization must remain within all previously approved guidelines. [Ref. 14]

The lack of a published set of official goals has not severely hampered the use of the credit card. Nevertheless, from the responses given it appears that their absence has served as an impediment to implementation. The majority of officials from all field contracting activities mentioned that some form of rudimentary policy guidance from HQMC is needed. Obviously, the Marine Corps can't go against the current ASN/RD&A directive; however, it could produce an unofficial working version that activities could use in the interim. At a minimum, it should include the goals and objectives desired of the credit card program as well as describing a basic structure around which all USMC programs are to be established. Recommended procedures could be included in addition to practices that should be avoided. This would go a long way towards standardizing the implementation of the program and ultimately facilitate its use.

3. Topic: Credit Card Utilization Rate.

4. Discussion: As with the written surveys, the telephone interviews indicate a dramatic difference in card utilization between large and small activities. Management personnel at smaller activities indicated that card utilization by their purchasing personnel is very prevalent. Most said that their buyers use the card for nearly all of their small dollar needs. As an example, one program administrator at a Recruiting Station said that during a previous year his activity generated over 200 Purchase Orders. The following year, after implementing the credit card, his activity generated only two. Furthermore, he stated that the only reason he needed to use these was because the particular vendors did not accept the credit card. [Ref. 13]

On the other hand, conversations with officials from large activities showed that anywhere from five to 30 percent of total small purchase actions at any particular installation are made with the credit card. Further analysis of the

interviews indicates that the largest number said their buyers used the card for no more than five to ten percent of their purchases. This low usage rate corresponds with data obtained from cardholders, as well as DOD information, which was presented in the previous chapter.

The majority of personnel from large activities that were interviewed stated that when the credit card program initially began, they had high hopes for it. Several mentioned that they felt certain the program would improve the small purchase process by greatly reducing the reliance on BPAs, Purchase and Delivery Orders, and Imprest Funds. However, these same individuals said that after using the card for some time, they have found the contrary to be true. Despite up-front time savings and increased customer and vendor satisfaction, the other methods continue to be used, with the exception of Imprest Funds.

The most probable explanation for the rather wide disparity in the level of use may depend a great deal on the degree of centralization. An assumption can be made that contracting offices which have decentralized their program will have a lower utilization rate than those commands that have not done so. This would be a result of the delegation of purchase authority to external units. Since these activities now have the ability to make their own small purchases, the contracting office will subsequently experience fewer overall requests of this nature. In large measure, this presumption is in fact supported by the responses provided by those interviewed. For instance, one official at an activity which has decentralized said that only five percent of the total small purchase actions made at his installation are done so using the card. He indicated there are two primary reasons for this, the first being that external units now do most of their own buying, which has decreased his office's workload. Second, he mentioned that many of his "buyers don't like to

hassle with the monthly statement and the need to generate a form 2035 every time they need to make a purchase." He said that those individuals who routinely use the card do so only when they need to acquire an item for which one of the other methods is unavailable. [Ref. 4] On the other hand, a person from a command that allows only contracting office personnel to have credit cards reports that 30 percent of her command's buys are done with the card [Ref. 29]. In this case, her buyers are responsible for the needs of many activities which means a correspondingly higher demand for small purchase buys. In order to expeditiously deal with these requirements, it would be natural for buyers to use whatever means satisfies customers the quickest. As a result, the buyers would use the credit card, which has been described by almost all users as having a more rapid response time. Consequently, her centralized office would have a higher overall utilization rate.

5. Topic: Centralized vs. Decentralized Use

6. Discussion: As indicated by cardholder responses in Chapter III, the level of decentralization varies among the larger Marine Corps activities. Because of its nature, this topic was mentioned and discussed only by the contracting officers at larger activities. These individuals said that a majority of the routine purchases performed by personnel at their installations involves the procurement of small purchase items. One of the primary purposes of the credit card program is to streamline this process. A significant way this may be accomplished is to allow the procurement of these low dollar items at the lowest level possible. A major factor that directly influences the degree to which this is effective is the way individual credit cards are issued. More specifically, the number of cardholders, as well as their location in the procurement hierarchy, can have a direct impact on workload reduction at a central contracting office.

While there are some activities that do not allow any one except contracting office personnel to use the card, these seem to be the exception rather than the rule. Results from both the written surveys and the telephone interviews indicate that most of the activities in the Marine Corps have at least some degree of decentralization. However, in reviewing the data from the previous chapter, and examining results from the telephone interviews, there seems to be no standard method of delegating the use of the card. The one exception to this is that during an activity's trial period, only contracting personnel may be issued a card.

Some organizations limit the use of the card to battalion size units or larger, while others have opted for a broader interpretation of the policy mentioned earlier and allow any activity with a genuine need to have and use a credit card. As one official put it, allowing the card to be used by external operations to satisfy their small purchase needs greatly relieves the pressure on his contracting office personnel. He said that because his office is responsible for supplying the needs of a tremendous number of other tenant activities, he is trying to "get as many \$30 items bought at the user level as possible." Allowing units to obtain items using their own credit card has helped make his buyers more efficient and has greatly reduced the PALT experienced by the customers. [Ref. 12]

On the other hand, some activities have decided to restrict the use of the card to just those buyers located at the contracting office. The principal reason cited by officials at these commands centers on their reluctance to delegate purchasing authority to non-procurement personnel. As one official stated, her major concern is that credit card use by these individuals, who are almost always at external units, is much more susceptible to misuse. Specifically, she expressed some fear that these cardholders would be more

likely to not comply with the requirements set forth in the FAR and the GSA contract. Despite having the requisite training concerning these regulations, she contends that these personnel could use the card to circumvent the normal supply system. Also, she feels that they might be inclined to fail to rotate vendors, and could avoid using small business when obtaining items less than \$2500. [Ref. 29]

Another problem that was mentioned is the fact that decentralizing the use of the card prevents contracting officers from seeing what types of small purchase items are being obtained. One contracting officer mentioned that USMC directives require that certain low dollar items, such as electronic equipment, ADP items, and furniture must be controlled by Unit Property Officers. Buyers at external activities could bypass requirements of this type by using the card to purchase items and have them delivered directly to the unit. [Ref. 21]

The concerns expressed by these officials are certainly justifiable. Abuses could in fact occur, however strict enforcement of local regulations and a regular review of the activities that use the card would greatly reduce the chance of misuse. Discussions with card officials throughout the Marine Corps indicate that they are aware of very few, if any, reported or suspected instances of inappropriate credit card use. Most likely this is a result of personal integrity of the individual cardholders, although one must consider the effects of proper training and the fear of punishment as well.

7. Topic: Purchase and Management Control

8. Discussion: When asked how they ensure cardholders' purchases are legitimate (i.e. made in accordance with applicable regulations), all said that the approving officials are responsible for this. Most of those interviewed indicated that the primary method of accomplishing this was through the monthly reconciliation process, whereby cardholder statements

are reviewed by and compared with the approving official's statement. Several also indicated that periodic spot checks are made that compare purchase requests against items purchased and delivered, review documents for completeness, ensure proper accounts have been charged, and ensure shipments are made in accordance with stipulated guidelines.

Responses from management officials indicate that methods used to track and account for purchases vary from one activity to the next. MCO 4200.15 discusses the requirement for proper documentation that must be completed for all small purchases. However, in reviewing the instruction manuals of several activities, the researcher found that there is a problem with consistency in how individual commands accomplish this task. Some require that official DOD documents will be used (e.g. NavComp 2035) while others allow the use of locally generated forms. In addition, the systems used to keep track of these documents differ tremendously. Some activities have simple straightforward number-based methods that provide little information about purchases. Others have devised in-depth methods that use a series of letters and numbers, each representing specific data concerning the items bought. These are then combined to form an alpha-numeric tracking code.

The above represent but a few of the variations in management controls described by program officials. Although each method allows the individual activity to accomplish its mission, this lack of consistency was mentioned by several people as a stumbling block to wider card utilization. This departure from standardization has caused a certain amount of confusion and problems throughout the Marine Corps. As an example, audit personnel routinely inspect contracting offices to ensure they are performing their functions properly. One official said that he had recently performed a Procurement Management Review (PMR) at an activity that had a decentralized program and found several potential problems.

For instance, the reconciliation process at some of the external operations was not being performed in the same manner as that done at the main contracting office. Also, he said that a requirement for complete purchase request documentation that is required by the main office was not being complied with. The result of this is that buyers were often not certain if items they had purchased had been received and were the right type and number. [Ref. 21]

Common management controls that must be complied with, regardless of activity size and degree of decentralization, would help solve these problems. The GSA and RMBCS provide basic information on how to manage a program, but these are broad-based recommendations. A review of these guidelines shows that their focus is centered more on ensuring that individual programs comply with the requirements of the contract than on individual agency needs. As a result, some basic guidance that establishes how each Marine Corps activity shall manage its program would at a minimum ensure uniformity of use. Certainly each activity will have unique needs that must be taken into account, however standard Corps-wide procedures concerning basic elements of the card program could help in several ways. First, standardized documentation requirements could make routine inspections easier to carry out. These would also assist in reducing the likelihood of costly accounting oversights. Finally, individuals that are procurement personnel by trade, as well as other types of cardholders, would have an easier time assimilating into a new command when they transfer.

9. Topic: Need for Standardized, Cardholder Training

10. Discussion: This topic was brought up by officials from all activities and appears to be a major shortfall of the Marine Corps' program. Most of the officials said that the initial guidance provided to program administrators and approving officials by RMBCS was adequate. However, some

expressed concern over the lack of firm guidance on what credit card issues HQMC desires individual activities to address in their training programs. One area that the majority of officials expressed displeasure with is a lack of adequate and available cardholder-specific training information. Several of these people stated there is little material that addresses recurring problems with and changes and/or modifications to the program. Program administrators stated that individual commands are allowed to establish their training programs as they see fit and little information regarding the individual cardholder is available. GSA provides some suggestions on what formal training they should have but these are merely recommendations. Further, because they must be able to be adopted by a wide variety of agencies, they appear to be somewhat vague and generic in nature. [Ref. 23, p.3] Likewise, guidelines from HQMC stipulate that cardholders should have formal, small purchase training but do not specify types and amounts. [Ref. 19;22 July 1994] As a result, these individuals all indicated that they each have their own idea of what type and amount of training are required and have adopted these to their particular training program. For instance, one program administrator says she currently provides her new cardholders with a two hour review of her activity's instruction manual and plans to incorporate the new GSA material when she can get it. However, she says that her activity does not have a standard training session format for current cardholders. [Ref. 25] At another command, the Contracting Officer has made arrangements for his new cardholders to receive training at a nearby Naval Regional Contracting Center (NRCC), but has no routine training program in place for trained cardholders. [Ref. 12]

The need for standardized training throughout the Marine Corps is further highlighted by data presented in Chapter III. Responses from cardholders at various activities indicate that

they are not always getting up-to-date information concerning changes to the credit card program. For example, it was noted by numerous respondents that the GSA schedule prohibited the purchase of services with the card. However, as of April of 1994 (when the latest contract with RMBCS went into effect), this restriction was removed. Since these surveys were received in September of 1994, this would indicate that information about the program may not be getting to all cardholders.

These observations indicate that, at least in the interests of standardization, a requirement for a USMC-wide training program that covers the unique aspects of the credit card program exists. Officials said that the Defense Small Purchase Course is an effective method that helps in training non-procurement personnel, however it does not cover the specifics required by the credit card program. In addition, one official said that the course's high cost prevents her from utilizing it more often. [Ref. 25] What is needed appears to be a training program that provides the basics of the program to new cardholders as well as refresher material for experienced cardholders. More importantly, it should address the consistent implementation of the credit card program throughout the Marine Corps. Although individual activities may have specific requirements that apply only to their command, such a program would ensure that cardholders at all activities receive the same initial training. When asked directly, all of the officials agreed that a standard set of cardholder requirements would improve the overall program.

A possible solution to this problem currently exists. As part of the new GSA contract, RMBCS has developed and is required to provide training materials concerning program implementation. An administrator with the GSA said that this material, although intended primarily to assist new program administrators in getting started, is now available to any

agency using the card. It includes training guides and video tapes covering the responsibilities of the program coordinator, approving officials, cardholders, and finance personnel. Further, the GSA contract says that this information is provided at no cost to the Government. [Ref. 18] The Marine Corps could easily base their training program on this material, and include any additional guidance they feel might be necessary.

11. Topic: Administrative Burden

12. Discussion: Without fail, every single person interviewed cited the increased administrative burden that accompanies the use of the credit card as one of their major concerns. The most common cause of this burden centers around the way purchases must be accounted for at the end of each billing cycle. Some of the contracting officers contacted stated that this reconciliation process, which was described in Chapter II, can be so overwhelming that they have decided not to decentralize the use of the card. One contracting officer even indicated that he has permanently reassigned an individual from within the contracting office to handle this problem. [Ref. 12] Others stated that they are in the process of asking for or have already requested additional contracting personnel to assist in overcoming this problem. Officials claim that a result of this workload increase has been, as many cardholders also indicated in Chapter III, a reluctance to use the card as the primary means to obtain small purchase items. Finally, the Head of Contracting Authority of the Marine Corps Logistics Base (MCLB) at Albany and a senior contracting official at MCLB Barstow both indicated that this is the primary reason that their activities are not currently using the credit card. [Ref. 6][Ref. 20]

Officials contend that this increased burden is primarily a result of inadequate or non-existent data automation. Currently, RMBCS has taken steps to improve the process of

administering the program. As part of the new contract requirements, they now provide a Remote Access System (RAS) that enables activities to obtain a variety of information. Such items as the current status of account, the electronic transmission of an activity's monthly statements of account, and other information specifically tailored to the individual activity are available. In addition, activity coordinators are now able to electronically access an individual cardholder's account to aid in reconciling disputes. This would seem to be a step in the right direction in reducing the administrative workload. However, a major drawback to the RAS is the limited access to the information contained within it. At the current time, RMBCS only allows the activity's program administrator to use the system. [Ref. 18] Greater access by approving officials and cardholders is needed, even if it is nothing more than allowing them to see their respective account's status.

In an attempt to alleviate the excessive paperwork required in executing the program, a few activities utilize locally developed software programs. These allow users to create a database in order to track an item from the time a purchase order is received until the item is delivered. For example, the contracting office at Camp Lejeune uses a DBASE III software routine to create a database that tracks a purchase from the time it is requisitioned until it is delivered. The finance office on the other hand uses Standard Accounting, Budgeting and Reporting System (SABRS) to process payment for items the contracting office purchases. Data from the DBASE system must be delivered to the finance office, where it is manually reentered into SABRS, a process which can take hours and sometimes days. [Ref. 25] Furthermore, errors that result from transferring information from one system to the other have resulted in several problems. As an example, one official stated that at her installation, incorrectly

entered keypunch data caused individual customer accounts to be erroneously charged. Also, cardholder account numbers have been inadvertently applied to the wrong payment voucher. [Ref. 25] Both of these cause delays in the payment process and ultimately keep the Marine Corps from realizing potential early payment savings, as described in Chapter II.

Another problem that many administrators addressed, especially those from the larger commands, is the difficulty cardholders have in the monthly reconciliation process. The major complaint here is the inability to compare individual purchases made from a particular vendor with the monthly cardholder statement of account. Because the purchase order number that an activity uses for each buy is not included on the statement, cardholders often have to spend hours searching through their records to verify a particular buy. Without this number, the cardholder must try to compare the vendor name, transaction date, or dollar amount in order to verify a particular purchase. This can be extremely time consuming, especially if the cardholder has a large number of transactions during the month. The problem is further exacerbated at those activities which have no computer-aided tracking system.

What is needed is a serious effort to develop a computer based data processing system that reduces the required efforts of all personnel involved in the administration of card purchases. A program that allows both the cardholder and the finance person to have access to the same database would greatly expedite this process. Of course, each individual activity might be able to accomplish this task, given enough time but chances are the program would be activity specific. Furthermore, this would have to be done in concert with efforts mentioned earlier concerning the need to standardize credit card procedures and documentation. However, the need exists throughout the Marine Corps. Therefore, the direction

to produce a program that can be utilized by all activities should come from HQMC.

C. SUMMARY

In reviewing the responses from small activity officials, the overall consensus is that these personnel are well satisfied with the way the credit card program works. Few had anything but glowing comments concerning the program and many said that it should be the primary way to make small purchases. All agreed that using the card has improved the small purchase process by streamlining the procedures they must follow in order satisfy their needs.

On the other hand, the card has received varying degrees of support from officials at larger activities. Though most agree that the card has provided some assistance in making small purchases, many feel the use of the card is overrated. As one official put it, "the credit card is just another tool in his purchasing tool box." [Ref. 20]

Low utilization rates described by cardholders at large activities in Chapter III compare with those described by program officials in the interviews. The predominate reason for this appears to be the administrative burden that using the credit card entails. Most officials are in agreement that major improvements in this area are necessary in order to enhance the overall use of the card.

This chapter has described and discussed the results of the telephone interviews held with credit card management personnel throughout the Marine Corps. Specific, common discrepancies, which these officials have encountered and serve to act as barriers to implementation were explored. Chief among these are:

- a lack of Marine Corps specific published goals and objectives for the credit card program

- a need for a basic guidance concerning cardholder training
- a severe absence of automated data processing capability with which to administer the program

The next chapter will present conclusions that have been drawn from the data gathered. Additionally, recommendations to improve the credit card program in the Marine Corps will be presented.

V. CONCLUSIONS AND RECOMMENDATIONS

The objective of this research effort was to explore the use of the I.M.P.A.C. program in the United States Marine Corps. An overview of the credit card program, which recounted the history of both the Government and the Marine Corps programs, was presented. Next, data results concerning various aspects of the Marine Corps' program were provided. A discussion and analysis of this information, which addressed both cardholder and management attitudes concerning the benefits and drawbacks of the program, followed. Finally, this chapter details conclusions and recommendations based on the data results and analysis presented in the previous chapters.

A. CONCLUSIONS

Conclusion 1. Although the degree of effectiveness varies, the results of this research indicate that the implementation of the I.M.P.A.C. program at Marine Corps field activities has generally been successful. Smaller field activities that use the credit card expressed a great deal of satisfaction with the card. Most reported that implementation of the program has been quite easy and said that they prefer to use the card over the other traditional small purchase methods. The primary reasons given for this are the card's ease of use and reduced lead time in obtaining supplies.

Among the larger activities that responded, those that have opted to decentralize the use of the card are far more pleased with it than those that retain close control of the card. These cardholders frequently cited key benefits as reduced up-front paperwork and greater customer satisfaction. Many also indicated that it has not only given them another tool with which they can make small purchases, but that it also allows them to get urgently needed items quicker than the other methods. Finally, contracting personnel acknowledged

the fact that allowing customers to make purchases with a credit card reduced their small purchase workload.

Attitudes of personnel at activities that keep close control of the card appear for the most part to be ambivalent towards the program. Although all made mention of the ability to satisfy customer needs quicker, they also say that using the card requires more effort, especially in after-purchase administrative requirements. Unable to benefit from reduced workloads, despite improved response time, cardholders at these activities had few positive comments about the card.

Conclusion 2. The credit card has had several remarkable affects on the small purchase process. First, it has virtually replaced the use of Imprest Funds at the larger activities that were involved in this research. Many smaller activities have also eliminated this purchasing method; those that retain them report they are used almost exclusively for emergency purposes. Second, survey responses indicate that the card can have a significant positive impact on the overall purchasing workload of procurement personnel. This is especially true for those activities which have decentralized the use of the card by delegating purchase authority to external activities. Those contracting offices that have done so report a decrease in the total number of small purchase procurements. Accompanying this is a corresponding reduction in the overall time spent making small purchases. These are a direct result of the fact that they are no longer required to spend time making purchases for external activities. Finally, the use of the card can greatly improve not only customer satisfaction but also vendor relations.

Conclusion 3. The use of the credit card results in an increase in the administrative workload not only for the cardholder but for others involved with the program. This increased workload is especially burdensome at larger activities that have not decentralized the use of the card.

This is also true for other activities that have a large volume of small purchases and attempt to use the card for making the majority of these. As a result, overall utilization of the card by the majority of the larger activities in the Marine Corps is far less than it might be. Furthermore, it is the primary reason that two of the Marine Corps' largest supply activities are not currently using the program. Both expressed concern about how increased paperwork requirements would affect contracting office operations, especially in light of the current reductions in personnel.

Conclusion 4. There is no standard format for administering the I.M.P.A.C. program in the Marine Corps. Various methods and techniques exist at individual activities for documenting purchases, tracking these documents, and reconciling monthly statements. Additionally, there is no firm guidance on what training requirements HQMC desires of cardholders. This absence of standardization is primarily due to the lack of published material concerning the goals, objectives and format for the program. HQMC has not published any official document describing what they desire because of the direction given from higher headquarters. As a result, each activity is left to establish their own program with no **official** set of guidelines to follow.

Conclusion 5. Although the actual purchase of items is essentially very simple, the administration of the bankcard program can be very cumbersome. A lack of standardized, Marine Corps-wide automated data processing resources has exacerbated this administrative burden. The inability of individual cardholders to use electronic data management systems to link accounting, finance and reconciliation functions is one of the chief impediments to increased use of the card.

Conclusion 6. While smaller activities have completely embraced the credit card program, procurement personnel and

officials at large commands throughout the Marine Corps view the card as simply another procurement tool. Increased paperwork demands; a lack of FAR guidance concerning the card; and uncertainty over goals, objectives and individual responsibilities hinder the acceptance of the card. As the program is currently being managed, it is doubtful that the credit card will completely replace the use of more traditional small purchase tools at these activities in the near future.

Conclusion 7. It appears that adequate management controls are in place throughout the Marine Corps to prevent misuse and/or abuse of the credit card. However, since these controls are implemented as a result of individual activity efforts rather than being provided from a central source (e.g. HQMC), methods to accomplish these controls vary. Most of these efforts, while serving to inhibit unauthorized use, do not hinder the use of the card. Some examples of these are assigning of purchase limits, periodic audits (both internal and external), and the monthly reconciliation process. On the other hand, one of the management controls utilized by larger activities actually hinders card usage. Specifically, the level to which the actual credit card is delegated can prevent unauthorized use. At the same time, limiting this delegation severely influences how much the card is used.

B. RECOMMENDATIONS

Recommendation 1. I.M.P.A.C. program coordinators at HQMC should review their role in the credit card program. Little official guidance is currently available and no published Marine Corps specific goals or objectives exist. While it is recognized that the ASN/RD&A has been partially responsible for this, Code LBO should at least design and disseminate model procedures that all field activities are required to use. These procedures should include the goals

and objectives of the credit card program as well as a summary of duties and responsibilities for both program officials and finance personnel.

To accomplish this task, HQMC might look to existing procedural manuals for guidance. An excellent starting point would be the standard operating procedures (SOP) published by the Marine Corps Recruiting Command. This SOP provides a current set of guidelines, as well as a stated purpose for the program. It could easily be adopted as the official Marine Corps instruction and would go along way towards implementing a consistent credit card program throughout the Marine Corps.

Recommendation 2. HQMC should make every effort to encourage **all** Marine Corps activities to implement the credit card program. Furthermore, they need to persuade all contracting offices to decentralize their programs to the maximum extent possible. Activities that restrict the credit card to only those personnel at a central contracting office are not able to enjoy many of the intended benefits of the program. There are several major advantages of the program that can be cited in order to accomplish this. First, there is the potential reduction in the small purchase workload that takes up much of their daily routine. Second, the efforts required to review, update and renew other small purchase methods can be reduced. Finally, there is increased customer satisfaction and improved supplier relations.

At the same time, HQMC should underscore the need to expand the use of the card in making small purchases. The focus of the Marine Corps' program should be to use the card to obtain all small purchase requirements to the maximum extent possible. Obviously, some activities will complain about increased workloads, so HQMC must be ready to explain that decentralization of the card will not only reduce administrative work but also overall purchasing workloads.

Recommendation 3. A standardized, published training

program that addresses both the needs of the cardholders and program officials should be devised. Currently, specific credit card training after initial implementation is almost non-existent with the majority of activities. The program should be based on the existing training information provided by the contractor and at a minimum should address recurring problems with the card, as well as updates and changes to the program. Additionally, it should address what periodic training of cardholders and approving officials will be required. Issues such as ethics, illegal uses of the card, and a general review of the program and its procedures should be covered.

Recommendation 4. HQMC needs to spearhead an effort to develop a computer-aided data management system that will aid users at all activities/levels. This process will most likely have to be accomplished in several steps because there is little existing technology in this area. First, a Marine Corps-wide software program is needed that not only is able to track a purchase from the time of initial request through the time it is paid for, but can also be used to interface with the accounting system. Additionally, every effort should be made to incorporate local area network (LAN) technology into this system. Finally, the program should be able to electronically interact with the data provided by RMBCS. These efforts will result in a dramatic reduction in the extremely burdensome monthly reconciliation process.

Recommendation 5. Currently, electronic means of accessing cardholder accounts are available from RMBCS. As mentioned in Chapter IV, however, only activity coordinators are currently able to gain access to this valuable source of information. Code LBO should spearhead an effort to have the GSA modify the current contract so that individual cardholders are able to use these data in this system. This could serve

as an interim solution to the problems associated with the monthly reconciliation process.

C. **ANSWERS TO RESEARCH QUESTIONS**

Primary Research Question: To what extent has the credit card program achieved the goals and objectives intended for it by the Marine Corps in making small purchases and how might this program be modified to enhance its use? Although no official, published goals or objectives currently exist, the I.M.P.A.C. program has nonetheless been successfully implemented throughout the Marine Corps. Smaller activities, especially those with limited small purchase requirements, have given the program many accolades. On the other hand, personnel at larger activities are somewhat less receptive. Those commands that have decentralized the use of the card indicate that the benefits generally outweigh the drawbacks. Those activities that retain close control of the cards are for the most part ambivalent about it. The primary reason for this difference in attitudes seems to stem from the lack of understanding on the part of Contracting Officers as to what the card is really supposed to accomplish.

While it would certainly not be a panacea, some basic guidance from HQMC is necessary to rectify this. A clear, concise definition of what the program is intended to accomplish is necessary. Also, firm and definitive guidance on the duties and responsibilities of those personnel involved with the program is needed. Without this, individual activities are left to develop credit card programs on their own. Providing elementary direction that covers HQMC policy and required procedures would certainly be a major step towards increased use of the card.

Subsidiary Research Question 1. What are the essential elements of the credit card program as currently defined by Marine Corps policy, instructions, and directives? With the

exception of some guidance put forth by the Marine Corps Recruiting Command, there is little that defines the basic elements of the credit card program from the Marine Corps' perspective. Some guidance is provided by HQMC on the requirements that must be complied with to establish a program, but activities are left generally to themselves to meet these requirements. Adequate Marine Corps policy information exists concerning the other traditional small purchase methods, but there is next to nothing concerning the credit card. This appears to be a consequence of direction given by higher headquarters.

Nevertheless, the results of the data show that all activities are in compliance with the direction given by the GSA. In Chapter II, a description of the requirements set forth by the GSA were presented. Survey responses discussed in Chapter III clearly indicate that all card activities are following the basic tenets of these guidelines.

Subsidiary Research Question 2. How has the Government credit card program been employed by Marine Corps buying activities and is this employment consistent? Results from the surveys presented in Chapter III describe the way various activities in the Marine Corps have employed the card. Smaller activities tend to use it to fulfill as many of their requirements as possible. Larger activity use, on the other hand, is more disparate, with many saying they use it primarily for satisfying urgently needed items. This is a result of the fact that there are no utilization requirements set forth, and individual units can use the card however they see fit.

As mentioned above, all activities must comply with certain procedures when initially establishing a credit card program. However, once a program has been approved, HQMC places no set of standard requirements on individual activities regarding how they use the credit card. Therefore,

consistency in use is limited at best and occurs more by chance than by design. The one exception to this is the Marine Corps Recruiting Command, which has attempted to standardize the use of the card by publishing some model procedures. The bottom line is that I.M.P.A.C. implementation throughout the rest of the Marine Corps varies from command to command. As mentioned before, it was found that all activities comply with the basic requirements of the GSA contract. Too, as a result of the fact that many have used the Camp Lejeune BankCard SOP as a guide in developing their programs, there are some similarities. However, the actual daily procedures and administration of the program is different at nearly every activity surveyed. This is in part due to the degree of automation each command has but is also due to the lack of basic guidelines from HQMC.

While this lack of consistency has allowed Contracting Officers to mold the program to their individual needs, it has also served to hamper a fuller realization of the benefits of the card. This is especially true for programs at large activities. Specifically, the delegation of purchase authority depends to a large extent on the attitudes of the activity's Contracting Officer. If this individual is concerned about improper card use by non-procurement personnel, he/she won't delegate use of the card to these people. The major consequence of this is that while reducing the chance of unauthorized use, he/she has also prevented the card from reducing the workload on his/her contracting personnel.

Subsidiary Research Question 3. What are the most significant issues and problems faced by Marine Corps credit card users? As mentioned in Chapter IV, there are two major problems that face all Marine Corps cardholders. The first is the administrative burden and the second is a severe lack of automated tools to assist in reducing this workload.

Cardholders, approving officials and finance personnel report that administrative requirements, especially those involving the reconciliation process, can be very time consuming. The lack of adequate ADP equipment makes this task more difficult and in cases where the card is used extensively, this monthly requirement can often be overwhelming.

Subsidiary Research Question 4. What are the primary barriers/impediments to those Marine Corps buying activities that are not currently using the credit card system? Chapter IV addressed the major difficulties encountered by all activities that use the card. Of these, the increased administrative workload that is associated with the card was cited by both MCLB Albany and Barstow as the primary reason they have not implemented the program in the past. Coupled with this is the current reduction in manpower throughout the Marine Corps. Fewer personnel in the contracting office, especially management personnel, means more work for all. These activities say that using the card will only make this problem worse. In some aspects, they are correct; fewer people will in fact reduce the worker base and increase the work requirements on those remaining. However, proper delegation of the card to external activities can reduce the total workload as well as the administrative burden.

Subsidiary Research Question 5. How has the use of the Government credit card program affected small purchase acquisitions at Marine Corps installations that use it? Several positive results have occurred due to the use of the credit card. Credit card personnel from smaller activities have completely embraced the card. They report it saves them time and money, and is much easier to use, especially for non-procurement personnel. They generally get items much quicker and vendors are paid sooner, so they are happier and more inclined to do business with the Government in the

future. Finally, it allows them to have another small purchase procurement tool with which to satisfy their needs.

While card officials from larger activities report similar benefits, they are also quick to mention the increase in administrative workload that accompanies card use. Most cardholders report that while their workload involved in the actual purchase process has declined, after-purchase requirements more often than not offset the initial time savings. Too, officials at activities where the card has been decentralized praise the card's ability to reduce contracting office small purchase work through delegation of procurement authority. Finally, management personnel at centralized activities expressed concern that putting the card in the hands of non-procurement personnel was similar to opening a Pandora's box.

Subsidiary Research Question 6. What **major** actions need to be implemented in order to improve the acquisition of small purchase items utilizing the credit card program throughout the Marine Corps? As mentioned previously, there are several actions that demand the attention of HQMC in order to improve the I.M.P.A.C. program. While it is understood these recommendations will take time to implement, and there are some external factors that HQMC has little control over, it is imperative that efforts be undertaken now. Not only will these standardize the program, they will most likely serve to increase card utilization throughout the Marine Corps. These actions are:

- Develop and implement Marine Corps specific I.M.P.A.C. program guidelines
- Develop and implement a computer-aided data management system that reduces the workload on the buyer, **and** links the procurement side of the process to the financial side

- Establish a program that encourages the decentralized use of the card to the lowest echelon possible
- Prescribe standardized training that encompasses not only new cardholder requirements, but those of current credit card users

These recommendations, while perhaps appearing to be quite simple, are in fact rather complex. HQMC should solicit inputs from all activities before making a concerted effort to undertake these.

D. AREAS FOR FURTHER RESEARCH

As a result of this endeavor, a number of areas that would benefit from additional research were identified. Most of these should be performed by personnel familiar with Government contracting and purchasing. However, one in particular could be undertaken by someone with a background in information systems management.

- Develop a method by which the procurement and payment aspects of the I.M.P.A.C program can be linked. This would most likely entail an examination of existing as well as development software programs that could ultimately result in the administrative workload associated with extensive credit card use.
- As the I.M.P.A.C. name implies, the card can be used in the international market place. A study could be conducted to determine how to best implement the card by deploying Marine Corps units, in both peacetime and contingency operations.
- Conduct a study of existing programs at all activities which use the card and design a set of model administrative procedures. HQMC could then provide these to those activities that desire to implement the program. In addition, they could be used by **all** Marine Corps activities in order to standardize the use of the card.
- Examine available training material and programs from all I.M.P.A.C. programs (both DOD and civilian) and design a comprehensive training syllabus for the Marine Corps. This program should be constructed so that

users from all backgrounds will benefit from an established, easily up-dated base of knowledge and information.

- Analyze how recent changes to Federal small purchase regulations might affect the future implementation and use of the credit card in the Marine Corps. Included in this research should be an examination of just how far the delegation of the card should go. For example, could the card be provided to logistics personnel at the Reporting Unit level, and if so, what are possible benefits and drawbacks to instituting this policy?

APPENDIX A. ACRONYMS

ASN(RD&A) - Assistant Secretary of the Navy for Research, Development and Acquisition

ARS - Automated Requisitioning System

BCAS - Base Contracting Automated System

BPA - Blanket Purchase Agreement

COTR - Contracting Officer's Technical Representative

DFARS - Defense Federal Acquisition Regulation Supplement

DOD - Department of Defense

DSSC - Direct Support Stock Center

FAR - Federal Acquisition Regulation

FY - Fiscal Year

GAO - General Accounting Office

GSA - General Service Administration

HCA - Head of Contracting Activity

HQMC (Code LBO) - Headquarters, Marine Corps, Field Contracting Branch

I.M.P.A.C. - International Merchant Purchase Authorization Card

NPR - National Performance Review

PALT - Procurement Administrative Lead Time

R.M.B.C.S. - Rocky Mountain Bankcard System, Inc.

RAS - Remote Access System

PO - Purchase Order

PR - Purchase Request

SABRS - Standard Accounting, Budgeting and Reporting System

USMC - United States Marine Corps

APPENDIX B. CARDHOLDER/USER SURVEY

Card Utilization At Your Activity

1. What activity are you assigned to and what is your billet?

2. What is the individual per transaction dollar limit of **your** credit card? _____

3. Do you feel this amount adequately covers the majority of **your** purchasing needs? Yes/No (If No, please briefly explain why) _____

4. What is the monthly transaction dollar limit of **your** credit card? _____

5. Do you feel this amount adequately covers the majority of your purchasing needs? Yes/No (If No, please briefly explain why not)

6. Please list the types of services/items do you **routinely** purchase with the credit card?

7. What other methods does your activity use to make small purchases and what are they used for?

8. Does your activity have a standard set of written procedures that must be followed when making a purchase using the credit card? Yes/No

9. How many of your suppliers accept the credit card? (Circle one)

- a. less than 25%
- b. 25-50%
- c. 50-75%
- d. 75-100%

10. Do the vendors that you deal with **readily** accept the credit card when making purchases? Yes/No (If No, please explain)

11. What criteria are used to determine which items will be purchased using a credit card (e.g. urgency of need, type of item, price) and who makes this decision?

12. How much time do **you** spend (on average) making individual purchases with the credit card? Circle one.

- a. less than 5 minutes
- b. 5-10 minutes
- c. 10-15 minutes
- d. over 15 minutes; how much _____

13. During a normal month, how much total time do **you** spend making small purchases with a credit card? This includes time spent on the telephone or face-to-face dealing directly with vendors concerning purchases. Circle one.

- a. less than 5 hours/month
- b. 5-10 hours/month
- c. 10-15 hours/month
- d. over 15 hours; how much _____

14. Other than making purchases, how much time do **you** spend during a normal month on other credit card related activities, such as statement reconciliation, problems/disputes, etc.? Circle one.

- a. less than 3 hours/month
- b. 3-5 hours/month
- c. 5-10 hours/month
- d. over 10 hours; how much _____

Assessment Of The Credit Card Program At Your Activity

1. Do **you** feel that the instructions provided by your activity concerning the use of the credit card are adequate? Yes/No (If No, please explain)

2. Do **you** believe the card has **hindered** the small purchase process at your activity? (Please explain, including specific drawbacks.)

3. Do **you** feel that the card has **improved** the small purchase process at your activity? (Please explain, including specific benefits)

4. How does making small purchases with the credit card compare against the use of imprest funds, BPAs, SF-44s, and purchase orders?

5. Do **you** feel that the credit card program is saving your activity time and money? Please explain briefly.

6. What steps do **you** feel could be implemented to improve the credit card program at **your activity**?

Please feel free to make any additional comments concerning the use of credit cards to make small purchases at your activity on the back.

APPENDIX C. TELEPHONE INTERVIEW QUESTIONS

1. How long has your activity been using the card?
2. Has the program required you to assign more tasks to current personnel (i.e. Disputes person, card administrators, etc.)
3. Do you have established procedures for who can be issued a card? What are the eligibility requirements and who decides who gets one?
4. Does the lack of a MCO or other similar guidance affect the program at your activity? What do you feel HQMC could provide to improve the program?
5. How do you restrict the use of the credit card (i.e. to procurement personnel only) and how do you assign per transaction limits?
6. About what percentage of your **total** small purchases are made using the credit card?
7. Do you feel the use of credit cards for making small purchases has improved the process versus other methods?
8. Do you feel that use of the credit card has had any impact on either PALT or the administration process (i.e. paper work reduction, etc.)?
9. What problems have you experienced with vendors in regards to the use of the card (i.e. do some submit vouchers before shipping; are most willing to accept it)?
10. How are purchases made but not yet invoiced kept track of (log book, computer data base)?
11. Do you feel the program has any major drawbacks and if so do you have any suggested solutions?
12. What type of electronic interface/aids do you use to assist you in tracking and processing credit card purchases?
13. What types of training do you provide for your cardholder/users?

APPENDIX D. SURVEY ADDRESSES

1. Contracting Officer.
PSC Box 20004
Marine Corps Base
Camp Lejeune, NC 28542-0004
2. Contracting Officer, Camp Pendleton
Purchasing and Contracting Branch
P.O. Box 1609
Oceanside, CA 92054-5000
3. Purchasing and Contracting Division
2010 Henderson Road
Quantico, VA 22134-5098
4. Contracting Officer
Marine Corps Recruit Depot
Western Recruiting Region
4411 Belleau Avenue
San Diego, CA 92140-5398
5. Contracting Officer
Marine Corps Recruit Depot
Eastern Recruiting Region
Parris Island, SC 29905-5069
6. Contracting Officer
Marine Corps Support Activity
4370 West 109th St.
Suite #150 - Box 32
Overland Park, KS 66211-1408
7. United States Marine Corps
Marine Corps Reserve Forces
4400 Dauphine Street
New Orleans, LA 70146-5400
8. Purchasing Officer
Building MCA-614
Camp Elmore
Norfolk, VA 23551-2596
9. United States Marine Corps
1st Marine Corps District
605 Stewart Avenue
Garden City, NY 11530-4761
10. United States Marine Corps
4th Marine Corps District
Bldg. 75, 3rd Floor
U.S. Naval Base
Philadelphia, PA 19112-5072

11. United States Marine Corps
6th Marine Corps District
1655 Peach Tree St, N.E.
Atlanta, GA 30309-2429
12. United States Marine Corps
9th Marine Corps District
10000 West 75th St
Shawnee Mission KS 66204-2265
13. United States Marine Corps
12th Marine Corps District
Marine Recruit Depot
3704 Hochmuth Avenue, Bldg 8
San Diego, CA 92140-5191

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